



U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

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Common Abbreviations

ARS--Alternative Remittance System
CBRN--Caribbean Basin Radar Network
CFATF--Caribbean Financial Action Task Force
DEA--Drug Enforcement Administration
DOJ--Department of Justice
DOS--Department of State
ESF--Economic Support Fund
EU--European Union
FATF--Financial Action Task Force
FBI--Federal Bureau of Investigation
FinCEN--Financial Crimes Enforcement Network
FIU--Financial Intelligence Unit
GCC--Gulf Cooperation Council
IBC--International Business Company
IMF--International Monetary Fund
INCSR--International Narcotics Control Strategy Report
INM--See INL
INL--Bureau of International Narcotics Control and Law Enforcement Affairs
IRS--Internal Revenue Service
IRS-CID--Internal Revenue Service, Criminal Investigation Division
JICC--Joint Information Coordination Center
MLAT--Mutual Legal Assistance Treaty
MOU--Memorandum of Understanding
NBRF--Northern Border Response Force
NNICC--National Narcotics Intelligence Consumers Committee
OAS--Organization of American States
OAS/CICAD--Inter-American Drug Abuse Control Commission
OFC--Offshore Financial Center
OPBAT--Operation Bahamas, Turks and Caicos
PC-R-EV--Council of Europe's Select Committee of Experts on The Evaluation of Anti-Money Laundering Measures
UN Convention--1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNODCCP--United Nations Office for Drug Control and Crime Prevention
USAID--Agency for International Development
USG--United States Government

ha--Hectare
HCl--Hydrochloride (cocaine)
Kg--Kilogram
Mt--Metric Ton

[End.]



Introduction

Legislative Basis for the INCSR

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2001 INCSR is the fifteenth annual report prepared pursuant to the FAA. In addition to addressing the reporting requirements of section 489 of the FAA (as well as sections 481(d)(2) and 484(c) of the FAA and section 804 of the Narcotics Control Trade Act of 1974, as amended), the INCSR provides the factual basis for the Presidential narcotics certification determinations for major drug producing and/or drug-transit countries ("Majors List") required under section 490 of the FAA. Section 490 of the FAA requires that 50 percent of certain kinds of assistance be withheld from all such countries, required to be identified and reported to Congress by the President by November 1 of each year, pending the President's March 1 certification determinations. If a country is not certified, most foreign assistance is cut off and the United States is required to vote against assistance by six multilateral development banks to that country.

The statute 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(1) in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" (the "1988 UN Drug Convention"). FAA § 489(a)(1)(A). Similarly, the President's certification determination must address whether a country, during the previous year, has cooperated fully with the United States or has taken adequate steps on its own to achieve full compliance with the goals and objectives established by the 1988 UN Drug Convention. FAA § 490(b)(1)(A), FAA § 489(a)(4)(A).

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2001 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. The reports vary in the extent of their coverage. For key drug-control countries, where considerable information is available, we have provided comprehensive reports. For some smaller countries or entities where only sketchy information is available, we have included whatever data the responsible post could provide.

The country chapters report upon actions—including plans, programs, and, where applicable, timetables—toward fulfillment of Convention obligations. Because the 1988 UN Drug Convention's subject matter is so broad and availability of information on elements related to performance under the Convention varies widely within and between countries, the Department's views on the extent to which a given country or entity is meeting the goals and objectives of the Convention are based on the overall response of the country or entity to those goals and objectives.

Some countries and other entities are not yet parties to the 1988 UN Drug Convention; some do not have status in the United Nations that would allow them to become parties. For such countries or entities, we have nonetheless considered actions taken by those countries or entities in areas covered by the Convention as well as plans (if any) for becoming parties and for bringing their legislation into conformity with the Convention's requirements. For some of the smallest countries or entities that are not on the Majors List, 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, INL considers all countries and other entities with which the USG 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 sections entitled "FY 2001-2002 Fiscal Summary and Functional Budget" and "Other USG Assistance Provided."

Statement on Certification

Section 490(b)(2) of the FAA requires that, in making determinations regarding full certification, the President consider the extent to which each major illicit drug producing or drug-transit country has:

- met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, including action on such issues as 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;
- accomplished the goals described in an applicable bilateral narcotics agreement with the United States or a multilateral agreement; and
- taken legal and law enforcement measures to prevent and punish public corruption, especially by senior government officials, that facilitates the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances, or that discourages the investigation or prosecution of such acts.

The statute provides, alternatively, that a country that cannot be certified under the foregoing standard may be certified on the grounds that "vital national interests of the United States require" that assistance withheld pursuant to section 490(a)(1) be provided to and the United States not vote against multilateral development bank lending to such country. FAA 490(b)(1)(B).

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

Section 489(a)(3) of the FAA requires the USG 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 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 illicit 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 drug producing and/or drug-transit countries were identified and notified to Congress by the President pursuant to section 490(h) of the FAA in 2000:

Afghanistan, The Bahamas, Bolivia, Brazil, Burma, Cambodia, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, India, Jamaica, Laos, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Thailand, Venezuela, and Vietnam.

Major Precursor Chemical Source Countries

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

Argentina, Brazil, China, Germany, India, Mexico, The Netherlands, and the United States.

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

Major Money Laundering Countries

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

Antigua and Barbuda, Australia, Austria, the Bahamas, Brazil, Burma, Canada, Cayman Islands, China, Colombia, Cyprus, Dominica, the Dominican Republic, France, Germany, Greece, Grenada, Guernsey, Hong Kong, Hungary, India, Indonesia, the Isle of Man, Israel, Italy, Japan, Jersey, Lebanon, Liechtenstein, Luxembourg, Mexico, Nauru, the Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Spain, St. Kitts and Nevis, St. Vincent and the Grenadines, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, and Venezuela.

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

(1) The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for managing more than \$300 million a year in narcotics control and anticrime assistance to foreign countries.

[End.]

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U.S. Government Assistance

DoS (INL) Budget by Region

FY 2000 – FY 2001

(\$000)

	FY 2000 Actual	FY 2000 Em. Supp.(1)	FY 2001 Estimate
Narcotics Programs(2)	-	-	-
Country Programs	-	-	-
<i>Latin America</i>	-	-	-
Bahamas	1,000	-	1,200
Bolivia	48,000	110,000	52,000
Brazil	1,500	4,500	2,000
Colombia	55,929	838,500	48,000
Ecuador	1,200	20,000	2,200
Guatemala	3,000	-	3,000
Jamaica	800	-	1,200
Mexico	4,071	-	10,000
Peru	48,000	32,000	48,000

Venezuela	700	3,500	1,200
Latin America Regional	8,793	10,000	8,957
Subtotal for Latin America	172,993	1,018,500	177,757
<i>Asia/Africa/Middle East</i>	-	-	-
Laos	4,000	-	4,200
Pakistan	3,250	-	3,500
Thailand	3,000	-	3,000
Asia/Africa/ME Regional	4,798	-	3,328
Subtotal for Asia/Africa/ME	15,048	-	14,028
<i>Interregional Aviation Support</i>	<i>50,000</i>	<i>-</i>	<i>50,000</i>
Total Country Programs	238,041	1,018,500	241,785
International Organizations	12,000	-	12,000
Law Enforcement Training and Demand Reduction	9,000	-	10,000
Systems Support/Upgrades	5,000	-	4,000
Program Development & Support	9,800	-	11,500
Total Narcotics Programs⁽³⁾	273,841	1,018,500	279,285

(1)The Congress provided a \$1.0185 billion in Emergency Supplemental funding for Plan Colombia in FY 2000.

(2)Figures for FY 2002 budget request are not available as of March 1, 2001.

(3)Includes a rescission of \$1.159 million for FY 2000 and \$0.715 for FY 2001.

DoS (INL) Budget by Function

FY 2000 – FY 2001

(\$000)

	FY 2000 Actual	% of Total	FY 2000 Em. Supp.	% of Total	FY 2001 Estimate	% of Total
Narcotics Programs(1)	-	-	-	-	-	-
Law Enforcement Assistance and Institution Development	96,341	35.2	722,500	70.9	94,425	33.8
Alternative Develop/ Eradication	126,535	46.2	296,000	29.1	127,280	45.6
International Organizations	12,000	4.4	-	-	12,000	4.3
Drug Awareness/Demand Reduction	7,395	2.7	-	-	8,395	3.0
Law Enforcement Training	7,000	2.6	-	-	8,000	2.9
Program Development and Support	24,570	9.0	-	-	29,185	10.4
Total Narcotics Programs(2)	273,841	100	1,018,500	100	279,285	100

(1)Figures for FY 2002 budget request are not available as of March 1, 2001.

(2)Includes a rescission of \$1.159 million for FY 2000 and \$0.715 for FY 2001.

International Training

International counternarcotics training is managed/funded by INL and carried out by the DEA, U.S. Customs Service, and U.S. Coast Guard. Major objectives are:

- Contributing to the basic 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.

Over 4,996 persons participated in the United States Government's international narcotics control training program in FY 2000.

INL training continues to focus on encouraging foreign law enforcement agency self-sufficiency through infrastructure development. The effectiveness of our counternarcotics efforts overseas should be viewed in terms of what has been done to bring about the establishment of effective host country enforcement institutions, thereby taking drugs out of circulation before they begin their journey toward the United States. U.S. law enforcement personnel stationed overseas are increasingly coming to see their prime responsibility as promoting the creation of host government systems that are compatible with and serve the same broad goals as ours.

During FY 2000, law enforcement training continued to devote increased attention to the development and support of infrastructure building in those countries which posed the greatest threat to the U.S. as a result of their role as source or transit countries for narcotics destined for the United States. INL received positive feedback both from U.S. Embassies and foreign governments on the direct benefits gained from this training, including the discovery of illegal narcotics as a result of techniques learned during a program.

INL funding has also been provided for the establishment and operation of International Law Enforcement Academies (ILEA's) in Budapest and Bangkok. The regional training provided at the ILEA's consists of both general law enforcement training as well as specialized training for mid-level managers in police and other law enforcement agencies. Over 2500 officials from 25 countries have received training in Budapest and over 600 officials from 10 countries have received training in Bangkok. It is anticipated that additional ILEA's will be established in the Western Hemisphere and Africa.

INL-funded training will continue to support the major U.S. and international strategies for combating narcotics trafficking worldwide. Emphasis will be placed on contributing to the activities of international organizations, such as the UNDCP and the OAS. Through the meetings of major donors, the Dublin Group, UNDCP and other international fora, we will coordinate with other providers of training, and urge them to shoulder greater responsibility in providing training, which serves their particular strategic interests.

INL will maintain its role of coordinating the activities of U.S. law enforcement agencies in response to requests for assistance from U.S. Embassies. This will avoid duplication of effort and ensure that presentations represent the full range of USG policies and procedures.

Training Statistics

	Number of Participants	Number of Programs
Drug Enforcement Administration	-	-
<i>Training in U.S.</i>	-	-
"Vetted" Training	235	7
<i>Training in Host Countries</i>	-	-
In-Country Drug Enforcement Seminar	714	21
Advanced Drug Enforcement Seminar	163	4
Int'l Asset Forfeiture Seminar	173	6
Airport Operations	124	2

Specialized	54	2
ILEA	477	9
Subtotal	1,940	51
U.S. Customs Service	-	-
<i>Training in U.S.</i>	-	-
International Visitors Program	701	193
<i>Training in Host Countries</i>	-	-
Overseas Enforcement Training	381	13
Regional Overseas Enforcement Training	22	1
Train-the-Trainer Workshop	74	5
Short Term Advisory	30	6
Contraband Enforcement Team	108	4
Integrity/Anti-Corruption	114	5
Intelligence Training	45	1
Outbound Currency Interdiction Seminar	30	2
Assessments	-	3
Canine Training (U.S. Based)	6	2
Asset Forfeiture Seminar	25	1
Carrier Initiative Program Seminars/Business Anti-Smuggling Coalition	744	10
Subtotal	2280	246
	-	-

U.S. Coast Guard		
<i>Training in Host Countries</i>	-	-
Maritime Law Enforcement	120	6
Port Security and Safety Course	37	1
Long Term Training	110	1
Subtotal	267	8
Total INL-Funded Training FY 1999	4487	305

Drug Enforcement Administration

The preeminent responsibility of the Drug Enforcement Administration (DEA) is to reduce and ultimately minimize the impact posed to our nation by illicit drugs. All cocaine and heroin, as well as some marijuana and other dangerous drugs, are produced outside the United States. These illicit drugs are smuggled from countries of their source, usually through other countries, into the United States. Therefore, the reduction of illicit drug availability in the United States requires a strong international counternarcotics strategy. In cooperation and coordination with other nations, as well as with other U.S. agencies, DEA strives to concurrently suppress illicit drug production; disrupt the availability of these drugs in the distribution chain; arrest and prosecute those involved in any aspect of illegal drug trafficking; and seize their profits and assets.

The primary contribution of DEA in implementing our international counter narcotics strategy is accomplished through the 77 offices that DEA maintains in 57 countries worldwide. The DEA overseas mission is as follows:

- Conduct bilateral investigative activities,
- Coordinate intelligence gathering,
- Coordinate training programs for host country police agencies, and
- Assist in the development of host country drug law enforcement institutions and engage in foreign liaison.

In most countries where DEA maintains offices, DEA carries out all of the above functions. The emphasis on each function is determined by the conditions existing in the host nation. For example, in some countries where the drug enforcement system is advanced, a DEA Country Office may limit its role to selected activities instead of the full range of programs. The following sections provide a few examples of the assistance DEA provided during 2000 to host nation counterparts in support of the four function areas.

Bilateral Investigations

DEA's Country Offices work with elements of the host nation law enforcement agencies to investigate activities of drug traffickers that lead to indictments and prosecutions in either the host country, the United States, or a third country. Whenever appropriate and feasible, DEA shares intelligence information on major traffickers operating in host countries with foreign counterparts to enhance their investigative knowledge. The examples that follow illustrate DEA's role in bilateral investigations.

Based on information provided directly by the **Mexico** City Country Office (MCCO), Mexican authorities arrested Ismael Higuera-Guerrero, a major member of the Arellano-Felix Organization (AFO), and nine other suspects. Other AFO collaborators captured in 2000 included a former Federal Highway Police director who provided the AFO with insider information and protection, and a Colombian who served as a go-between for Colombia-Mexico drug shipments for the AFO. None of these actions would have been achieved had it not been for the close collaboration between the DEA MCCO and its counterparts in Mexico.

The **Costa Rica** Country Office, working with host nation counterparts and several DEA foreign and domestic offices, conducted the investigation of a drug trafficker who was linked to the Linear target Jose Guillermo Gomez-Ramirez. The combined effort resulted in the arrest of 23 defendants and the seizure of 1,410 kilograms of cocaine in Costa Rica. Evidence from this investigation led to the U.S.

indictment of Gomez and several associates. DEA Panama assisted Panamanian authorities with the arrest of Gomez-Ramirez and an associate. As the first Regional Linear target operating in Central America, Gomez-Ramirez had been the target of investigations conducted by all DEA Central American country offices. Both Gomez-Ramirez and his associate were extradited from Panama to the United States to face Federal Drug Charges.

The Athens Country Office and Istanbul Resident Office worked closely with Turkish National Police and Hellenic National Police on an investigation targeting a heroin transportation organization operating in Istanbul. The investigation resulted in the seizure of 513 kilograms of heroin and the arrest of four defendants in **Greece** and 23 in **Turkey**. The Hellenic National Police received permission to conduct a controlled delivery of the heroin after intelligence was developed that the organization was going to utilize two passenger buses to transport a large amount of Southwest Asian heroin to Greece via Turkey. After 48 hours of surveillance, Greek authorities seized the two buses in Athens and found the heroin concealed in the roof of the buses. This marked the largest heroin seizure involving the Istanbul Narcotics Section and also the largest heroin seizure in Greece.

Yardena Habroni, target of a joint money laundering investigation begun in April 1999, was arrested at the Newark Airport upon her arrival from **Panama**. Habroni, who was indicted out of the Eastern District of New York, used her jewelry business to launder proceeds for several Colombian drug traffickers through false gold purchases/sales and by exchanging cash for second and third party checks, false invoicing, and a multitude of bank transfers. To date, five arrests have been made and numerous search warrants have been effected. This investigation has been significant in that the Government of Panama provided the DEA Panama City Country Office with information crucial in case development.

Sensitive Investigative Units (SIUs) began operations in FY 1998 in **Mexico, Colombia, Peru, and Bolivia**. Each foreign law enforcement official having access to sensitive information must meet SIU criteria—i.e., an interview, computerized criminal background investigations, security questionnaire/background interview, medical and psychological screening, urinalysis, and a polygraph. By the end of 2000, established SIUs were fully operational in several major narcotics trafficking areas in **Thailand**. The SIUs represent the best-trained and best-equipped counternarcotics capability under the Royal Thai Police. They have also been able to institutionalize complex law enforcement techniques, as well as U.S. touted concepts of integrity and honesty among its personnel. During 2000 DEA-trained SIUs in Thailand seized hundreds of kilograms of heroin and thousands of kilograms of methamphetamine. The largest seizure in which DEA participated was the result of an operation in which 200 kilograms of methamphetamine tablets were delivered by 12 United Wa State Army operatives to Thai authorities in the Thailand/Burma border region. The operation concluded when Thai and DEA authorities led a controlled delivery to the intended recipients in Bangkok, resulting in one arrest.

Since May 1998, the Bogota Country Office, in conjunction with the Colombian National Police SIU, have been investigating the drug trafficking activities of Alejandro BERNAL-Madriral. During this investigation, known as Operation Millennium, BERNAL-Madriral was identified as the most significant drug trafficker operating in Colombia. Evidence obtained during this investigation revealed that his organization was responsible for transporting between 20 and 30 tons of cocaine per month from **Colombia** to the United States, via Mexico, primarily in containerized cargo. To date, this investigation has yielded 56 arrests in the United States, **Mexico, Ecuador**, Colombia, and on the high seas. Also, 13.7 metric tons of cocaine have been seized. It is anticipated that the 30 defendants currently incarcerated in Colombia will be extradited to the United States during 2001.

DEA in **Argentina** spearheaded a year-long investigation that led to the dismantling of the Colombian-based Dessy HIGUERA-Moreno heroin trafficking organization. This multi-national investigation resulted in the identification of 56 organizational members, 25 of whom are in custody. Indictments of four upper tier members of this organization were handed down in the Southern District of Florida and extradition proceedings to the United States are underway.

During the course of the trans-continental investigation against the Ivan De La VEGA organization from Barranquilla, **Colombia**, law enforcement authorities in Venezuela, Europe, the United States, and on the high seas seized 23 tons of cocaine. De La VEGA transported multi-ton shipments of cocaine produced in Colombia via land into **Venezuela**. In Venezuela, the cocaine was stored until it was loaded onto merchant ships for transport to criminal organizations in the United States, Greece, and Italy. In a carefully planned "take-down," 8.8 tons of cocaine were seized and 13 suspects were arrested in Venezuela, including De La VEGA who was immediately expelled to face charges in the United States. In total, 43 arrests were made worldwide.

DEA in Bolivia and Bolivian counterparts dismantled the Lorgio SAAVEDRA organization, which produced and distributed multi-hundred kilogram shipments of cocaine base throughout **Bolivia, Brazil, Peru** and **Argentina**. Utilizing undercover and extensive surveillance techniques, SAAVEDRA and five members of this organization were arrested and 183 kilograms of cocaine base were seized.

DEA investigations led to the identification in **Hong Kong** Special Administrative Region (SAR) bank accounts controlled by shelf companies in Panama of approximately \$8,800,000 in assets of a Colombian drug trafficker indicted in the United States. Further investigation by the Hong Kong authorities and DEA in Hong Kong and **Colombia** resulted in the recovery of drug trafficking proceeds in the amount of \$8,800,000, representing the second largest recovery by the Hong Kong SAR government since the passage of the Drug Trafficking Ordinance in 1989.

An extensive communications network was used to facilitate coordination and the flow of actionable intelligence on two large multi-national operations involving countries of Central and South America and the Caribbean. Operation Conquistador (March 10-26, 2000) involved 23 countries from this region and Operation Libertador (October 27-November 19, 2000) involved 36 countries from the region. Both operations were established to develop a cohesive/cooperative environment between source and transit nations, consolidate counterdrug activities in the **Caribbean**, and continue development of a comprehensive regional strategy and disruption of drug trafficking activities.

Under the auspices of "Operation Libertador" two Tegucigalpa Country Office agents, along with **Honduran** counterparts, were part of a twenty-man team mobile checkpoint at Las Manos, along the Honduran/Nicaraguan border. The team was essential in the seizure of 144 kilograms of cocaine hidden within the false bed of a pick up truck and inside a tractor-trailer. The arrest of seven Guatemalans was attributed to these seizures.

DEA Lima Country Office continued its long-term investigation with the SIU targeting Colombian nationals involved in the collection, distribution, and exportation of multi-hundred quantities of cocaine in **Peru**. The investigation culminated with the arrest of 25 subjects, including ten Colombian citizens and one Dutch national, and the seizure of 100 kilograms of cocaine HCl. The SIU in Colombia contributed to the investigation by providing information that resulted in the positive identification of Colombian violators operating in Peru.

The Santiago Country Office and the La Paz Country Office, working cooperatively with police counterparts, executed simultaneous search and arrest warrants in **Bolivia** and **Chile** as part of a cooperative operation against Bolivian mining company, Tierra Limitada. It is estimated that the Tierra Limitada Organization was responsible for the chemical diversion of at least 10 million kilograms of sulfuric acid. Over 140 Bolivian and Chilean law enforcement officials targeted nine locations in Bolivia and four locations in Chile for simultaneous enforcement actions. Tierra Limitada in Bolivia and two chemical companies in Chile were closed down, and eight individuals have been arrested in Bolivia and seven in Chile.

DEA in the **Dominican Republic** and **Puerto Rico**, in coordination with Dominican authorities, conducted an investigation of the Maritime PAULINO-CASTRO trafficking organization. This organization was involved in transporting multi-hundred kilogram shipments of cocaine from Colombia to the United States via the Dominican Republic. PAULINO-CASTRO and 13 members of his organization were arrested in the Dominican Republic and an additional 25 were arrested in Puerto Rico.

DEA and counterparts in **Ecuador, Colombia, Argentina**, and the United States conducted a regional investigation of the Sergio ANDRES-Mino organization, which operated in these countries transporting Colombian heroin to New York. More than 20 kilograms of heroin were seized in Ecuador and an additional 12 were seized in the United States. This multi-national cooperative effort resulted in the arrest of ANDRES-Mino and the principal members of his organization.

DEA assisted in the seizure of 64.5 kilograms of cocaine and the arrest of three individuals in **Russia**. A 3,000-pound steel mold seized in Miami was transported via a controlled delivery to a warehouse in Moscow. Arrests were made when the individuals began dismantling the mold. In the follow-up of this investigation, Russian authorities seized 9,000 pounds of methaqualone powder.

The **Brasilia** Country Office and Brazilian authorities conducted an investigation of a multifaceted criminal organization operating in Brazil. Raids in Brazil netted 13 arrests, the seizure of approximately 2.8 million dollars of counterfeit U.S. currency and 143 kilograms of cocaine.

Information shared between the **Guatemala** Country Office and counterparts resulted in the seizure

of 797 kilograms of cocaine concealed in electrical transformers as well as the break up of a large drug trafficking ring located in the Guatemala City International Airport.

A joint investigation between the DEA Miami Field Division, DEA in **Spain**, and Portuguese authorities led to the arrest of four individuals and the seizure of 1,460 kilograms of cocaine that had been shipped to **Portugal** from Colombia via Venezuela and Rotterdam.

In February 2000, the Bridgetown, **Barbados** Country Office participated in the transportation of Charles Miller to the United States to stand trial in South Florida on drug trafficking charges. Mr. Miller operated from the Caribbean island of St. Kitts and was responsible for sending multi-hundred kilogram shipments of cocaine to the United States. He was convicted on December 5, 2000, and is currently awaiting sentencing.

Intelligence Gathering

DEA coordinates intelligence worldwide on the cultivation and manufacture of illicit substances, the sale of precursor chemicals for making illicit drugs, and the transportation routes of these drugs into the United States. The following activities demonstrate the breadth of DEA involvement worldwide.

Subsequent to intelligence from the Los Angeles Field Division and The Hague, **Netherlands** Country Office, Dutch authorities seized 1.2 million tablets of MDMA and a pound of cocaine. They also arrested a DEA fugitive who had eluded U.S. authorities since their seizure of 2.1 million tablets of MDMA two months prior.

DEA and law enforcement agencies in **Greece, Colombia, Venezuela, Spain, Italy, England, and France** shared intelligence in an international maritime smuggling investigation. The investigation focused on Colombian drug traffickers. The Hellenic National Police arrested six suspects in Greece. With intelligence gathered by the Athens Country Office, Venezuelan authorities apprehended 11 suspects, including a reputed Colombian drug shipper acting as the mastermind behind the operations, and seized approximately seven and a half tons of cocaine.

DEA Country Offices in **Mexico** and throughout **Central America** continued to support, develop, and improve the intelligence collection, analysis, and exchange of each respective country's Joint Intelligence Coordination Center (JICC). This has included installing freight-tracking software, construction of new inspection stations, providing intelligence collection and processing guidance, and fostering interagency cooperation and intelligence sharing. This has allowed the JICCs to share and collect intelligence with the El Paso Intelligence Center (EPIC), other local law enforcement agencies, and their respective Country Offices.

Information provided to the Croatian National Police's Drug Unit by DEA in **Austria** resulted in the seizure of 241 kilograms of cocaine on a vessel. The vessel was searched with no success; a secondary search by a Croatian dive team located an underwater compartment where they discovered the cocaine.

Intelligence information from The Hague Country Office and New York Field Division led to the arrest in Spain of a DEA fugitive who was wanted in the Southern District of New York on charges of conspiracy to import 200,000 tablets of MDMA from Amsterdam to New York.

DEA in **Haiti** has been gathering intelligence on routes, methodologies and organizations conducting maritime drug trafficking into and through Haiti. This intelligence resulted in the interception of a vessel 200 miles south of Puerto Rico and the seizure of 1,143 kilograms of cocaine. Fourteen crewmembers were arrested and will be prosecuted in Puerto Rico.

As a result of intelligence provided by DEA **Nicaragua**, the Nicaraguan National Police seized 131 kilograms of cocaine and arrested two individuals connected to a major drug trafficking organization.

Coordinate Training Programs for Host Country Police Agencies

DEA's international training activities are conducted in coordination with DEA's foreign offices, U.S. Missions, and the Department of State, International Narcotics and Law Enforcement Affairs. The full range of the international antinarcotics training program is addressed in the International Training Section.

Institution Building and Foreign Liaison

DEA Agents establish close relationships and networks with their counterparts that foster cooperation

in international drug law enforcement. DEA Agents meet with their counterparts to discuss policy and legislative issues and provide assistance in developing drug control laws and regulations. DEA also provides training and material support to foreign law enforcement partners to help them combat major drug trafficking organizations and the production and transportation of illicit drugs. The activities described below are representative of DEAs efforts in foreign liaison and institution building activities.

In April 2000, DEA sponsored the 18th annual International Drug Enforcement Conference (IDEC). At the conference, senior drug law enforcement officials from 32 member countries throughout the Western Hemisphere and observers from Europe, Asia, and Australia met to discuss and exchange insights on counter narcotics enforcement activities. Presenters described their counter narcotics law enforcement strategies and shared lessons learned from multilateral investigations and operations. Members adopted initiatives pertaining to the development of regional multinational enforcement investigations and operations targeting major drug traffickers in the hemisphere. They also adopted initiatives for increased enforcement and regulatory action to reduce the use of general aviation for trafficking purposes. The conference, hosted by the United States, provided a forum for the delegates to exchange information and build personal relationships that are key to enhancing closer coordination among law enforcement agencies.

Following extensive efforts by the **Mexico** City Country Office and others, the Mexican Supreme Court ruled that Mexican nationals could be extradited pursuant to the U.S.-Mexico Extradition Treaty. This decision, impacting no less than 17 outstanding appellate cases, resolves a perceived contradiction between the Mexican Penal Code and the extradition treaty on whether Mexican citizens had to stand trial in Mexico for crimes committed abroad or were subject to extradition only in exceptional cases. As of November 22, 2000, 38 persons in Mexican custody stood subject to extradition to the United States based on U.S. provisional arrest warrants and extradition requests.

The **Nicosia**, Cyprus, Country Office, through its interactions and excellent working relationship with its counterparts, played a part in raising support for the newly enacted money laundering prohibition law in Israel. The law prohibits holding, selling, receiving, transferring, and brokering property such as land or money in order to camouflage the source of the funds, or knowledge of the source. The law also obligates every person entering or exiting Israel to report amounts of more than \$20,000.00.

After more than three years of discussion and negotiation by DEA **Singapore**, the Department of Justice, and the Department of State, the U.S. and Singapore governments signed a bilateral Drug Designation Agreement. The agreement facilitates the exchange of information on drug money laundering suspects and targets reciprocal honoring of asset forfeiture requests, and sharing of assets. Through DEA and Singapore law enforcement investigative efforts, approximately \$20 million in drug trafficking proceeds have been identified and frozen in Singapore banks for seizure/forfeiture.

The Anti-Narcotics Force (ANF) SIU in **Pakistan** have seized 43 kilograms of white heroin, mostly at the airport. One seizure involved the arrest of 26 Nigerians, all identified as "swallowers," leading to the seizure of a total of 20 kilograms of white heroin. This is a fairly new trend in Pakistan and DEA in Pakistan is working closely with the ANF to identify and arrest future couriers. Another seizure, from an undercover operation, is a direct result of the specialized training ANF officers in the SIU receive.

The Tegucigalpa Country Office assisted **Honduras** in drafting chemical diversion legislation. Once approved, it will provide the Honduran law enforcement agencies with the authority to monitor the diversion of essential chemicals and prosecute businesses not following the regulations.

In January 2000, advocated by the DEA Manila Country Office, the Philippine President issued Executive Order No. 61, creating the National Drug Law Enforcement and Prevention Coordinating Center. The President views the Drug Center as the nucleus for the new **Philippine** Drug Enforcement Agency, to be established through legislation expected to pass later this year.

The **Guatemala** Country Office (GCO) has had an important role in providing liaison between the U.S. Mission, the Government of Guatemala, and the Division of Anti-Narcotics Operations (DOAN). The GCO has worked closely with the DOAN and government policy makers to push forth new agreements and legislation. The Guatemalan Congress approved a one-year blanket authorization for all U.S. Government military antinarcotics operations. Guatemala also signed three distinct Letters of Agreement with the U.S. Government on counternarcotics and demand reduction.

DEA Counternarcotics Training Statistics

Programs	Number of	Number of
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	Participants	Programs
<i>Training in U.S.</i>	-	-
"Vetted" Training	235	7
-	-	-
<i>Training in Host Countries</i>	-	-
In-Country Drug Enforcement Seminar	714	21
Advanced Drug Enforcement Seminar	163	4
Int'l Asset Forfeiture Seminar	173	6
Airport Operations	124	2
Specialized	54	2
ILEA	477	9
Total	1,940	51

**DEA Summary of International Asset Forfeiture Sharing
(FY00)**

Name of Case or Investigation	Total Amount Forfeited in the U.S.	Recipient Country	Amount of Transfer	Transfer Date
U.S. v. \$1,814,807.93 Farina (D. Colorado) Case No. MK-96-0129	\$1,814,807.93	Hong Kong (China)	\$907,403.00	6/21/00
U.S. v. JULIO (D. Oregon) Case No. RN-97-0030	\$453,184.30	Switzerland	\$226,447.88	7/24/00

U.S. v. Haddad (D. of So. Texas)Case No. M5-98-0109	\$101,830.24	Canada	\$37,809.97	8/2/00
U.S. v. Esquivel Luz (D. of So. Florida)Case No. GS-97-0005	\$99,000.00	Ecuador	\$14,850.00	8/22/00

United States Coast Guard

Overview

Campaign STEEL WEB is the Coast Guard's multiyear campaign plan to combat the dynamic maritime drug trafficking threat.

Strategic Concept: To deny drug smugglers access to non-commercial maritime routes by a sequence of coordinated operations placing interdiction forces in high threat areas of the Caribbean and eastern Pacific. STEEL WEB is fully aligned with Goal 4 (Shield America's air, land and sea frontiers from the drug threat) and Goal 5 (Break foreign and domestic drug sources of supply) of the National Drug Control Strategy (NDCS), and complements the contributions of our law enforcement (Customs, DEA, local LEAs) and DoD partners in this effort.

Systematic route denial: The employment of a "surge and maintain" strategy by combining a large number of surface and air assets in a "surge" force, focused on stopping the flow of drugs through a high-threat trafficking area. Once that flow is significantly reduced, the surge effort is reduced to a "maintenance" force of sufficient size to continue to deter traffickers from using those maritime routes. Surge forces are then focused on another high-threat trafficking area to deny drug smugglers the use of that route and so forth, thereby resulting in systematic route denial. Surge operations are repeated in a high-threat drug trafficking area as required if intelligence trends indicate a shift by drug smugglers back to that area.

STEEL WEB depends upon international combined maritime operations. Partnering with law enforcement officials of other nations helps develop indigenous interdiction forces, and enhances the cumulative impact of interdiction efforts directed at drug traffickers in the region. Combined operations with other nations' maritime forces also provide practical training for all participating personnel.

Combined Operations

Operation CARIBE VENTURE: International effort to deny smugglers the use of maritime routes along the islands of the eastern Caribbean. Participating nations are the US, France, Netherlands, United Kingdom, Trinidad and Tobago, Grenada, Barbados, St. Vincent and the Grenadines, St. Lucia, Dominica, St. Kitts and Nevis, Dominican Republic and Antigua/Barbuda. During 2000, two CARIBE VENTURE operations were conducted, each of approximately five months' duration.

Operation FRONTIER LANCE: A U.S./Haiti/Dominican Republic effort to deny smugglers the use of maritime routes into Hispaniola, which serves as the next step in the surge and maintain strategy of Campaign STEEL WEB. This effort remained in a maintenance phase throughout 2000.

Operation RIP TIDE: A combined U.S./Jamaica/Grand Caymans (UK) effort to deny smugglers the use of maritime smuggling routes into Jamaica and the Cayman Islands. RIP TIDE was conducted twice during 2000.

Operation CONJUNTOS: A U.S./Panama professional exchange and combined law enforcement effort in the territorial seas of Panama. Just one CONJUNTOS was conducted in 2000 (FEB 00); the remainder were cancelled because of the absence of a Visiting Forces Agreement (VFA) between Panama and the US.

Operation ALLIED STRENGTH: U.S./Belize combined operation conducted periodically pursuant to the US/BH counterdrug bilateral agreement. This operation was previously conducted in support of the combined CENTRAL SKIES interagency campaign (DEA, USCS, DOD) in Central America. One ALLIED STRENGTH was conducted early in 2000. Since then, Coast Guard has participated in

several ad hoc operations with Belize to exercise the US/BH bilateral agreement.

Operation LIFESAVER: U.S./Honduras combined operation conducted in support of CENTRAL SKIES. Maritime counterdrug effort is supported by Maritime Patrol Aircraft (MPA) provided by JIATF East, and complements a US/HO combined effort employing the ground and air forces of JTF Bravo. Operation SEGURIDAD, a combined Coast Guard/Honduran Navy maritime counterdrug effort independent of CENTRAL SKIES, was also conducted in late 2000. Successful operations contributed to the Honduran government's ratification of the US/HO counterdrug bilateral agreement.

Operation MAYAN JAGUAR: U.S./Guatemala combined operation conducted in support of CENTRAL SKIES. One MAYAN JAGUAR operation was conducted in 2000.

Operation CHOKEHOLD: Combined operations with Costa Rica. The first CHOKEHOLD was conducted in early 2000, and led to Costa Rica's first-ever maritime pollution case prosecution; since then, numerous other operations have been conducted with Costa Rica, pursuant to the new US/Costa Rica bilateral agreement.

Operation SCIMITAR: Combined operation with the Bahamas. This operation was conducted in the northern and central Bahamas, involving new Bahamian 60-meter patrol boats and Royal Bahamian Defense Force (RBDF) shipriders embarked in Coast Guard cutters.

Operation CUTLASS: Another combined operation with the Bahamas, concentrating effort on the southern Bahamas. This operation involved U.S. Navy Patrol-Coastals with CG LEDETs, as well as RBDF's Drug Enforcement Unit.

Operation Bahamas, Turks and Caicos (OPBAT): A Memorandum of Understanding with the UK, the Bahamas and Turks and Caicos to combat trafficking in the Turks and Caicos and the Bahamas. USCG contributes aircraft and aircrew on a steady-state basis. Also referred to as the TRIPART, the U.S. is a signatory to the MOU, signed in JUL 90. USCG does not provide law enforcement personnel to OPBAT. Law enforcement is carried out by Tripart Team Members (TTMs), who are either Bahamian or Turks and Caicos law enforcement authorities. The DEA provides LE officers, but they operate only to assist the TTMs and do not have law enforcement jurisdiction. In 2000, OPBAT forces, with Coast Guard support, seized 9,191 pounds of cocaine, 14,383 pounds of marijuana, arrested 84 persons and seized 14 vessels.

Coincidental Interaction with Mexico:

The Coast Guard conducts coincidental operations with the Mexican Navy in the Gulf of Mexico and the Eastern Pacific to assist the MXNAV in their counterdrug efforts. In 2000, Coast Guard provided direct support in 12 cases resulting in 11 MT of cocaine seized. Most significant of these were the F/V Valeria with 3 MT, and F/V Top Flight with 4.2 metric tons.

The US/Mexico Interdiction Working Group (IWG) is sponsored by the High Level Contact Group (HLCG) and grew from the bilateral cooperation experienced during maritime interdictions in 1999. The IWG is the newest HLCG working group and is based on a Mexico proposal accepted by HLCG in November 1999. USIC leads the U.S. side of JIATF-East, JIATF-West, Customs, CGD8, CGD11, DEA and the Narcotics Affairs Section (NAS) at the U.S. Embassy. Mexico representation includes FEADS (DEA equivalent), CENDRO-6 (national counterdrug unit), SRE (foreign ministry), PFP (Federal Preventative Police), DEFENSA (Army), MARINA (Navy) and SCT (Captain of the Port/Merchant Marine). The IWG has proven to be a tremendous asset in our efforts to enhance CD cooperation. The IWG has facilitated initiatives such as the US/MEX Communications Plan for use in law enforcement interdiction operations, and the Post Seizure Analysis Training/Exercise with the MEXNAV and the FEADS.

Interaction with Colombia:

The Coast Guard has enjoyed unprecedented cooperation in maritime interdiction this past year resulting in the seizure of over 27,000 pounds of cocaine in 2000. The U.S.-Colombia Shipboarding Agreement allows the U.S. to exercise jurisdiction over CO flagged vessels located outside the CO EEZ, if the U.S. has initiated an ongoing investigation. This has significantly aided U.S. prosecution of major drug trafficking organizations. The Colombians have authorized all 78 requests for USCG boardings of Colombian flagged vessels since October 1999. Recent successful cocaine seizures as a result of the Agreement include F/V REBELDE (12,000 lbs), F/V LEYNEYD (6,000 lbs), F/V DOUGLAS I (1,100 lbs), and two go-fast vessels (8,195 lbs).

Exercises and Training—Interaction with Foreign Governments:

TRADEWINDS 00 is an annual exercise conducted in two parts: a ground phase and a maritime phase. The maritime phase is conducted by the USCG and focuses on enhancing the participating nations' Coast Guard related missions / capabilities through use of symposia, engineering support and underway exercises in maritime law enforcement (MLE), search and rescue and marine environmental response/disaster containment. The maritime phase was conducted during two periods: the first period was hosted by Jamaica 26 Mar to 02 Apr. Others involved were Barbados, Belize, Dominican Republic, Haiti and Trinidad & Tobago. The second period was 06 to 13 Apr and involved St. Lucia as host country, Antigua & Barbuda, Barbados, Dominica, Grenada, Guyana, Netherlands Antilles, St Kitts/Nevis, St Vincent and the Grenadines, and the United Kingdom.

The U.S. Coast Guard provides basic and advanced training in its four core mission areas of Maritime Law Enforcement, Maritime Safety, Marine Environmental Protection and Defense Readiness. Specific skill sets include enforcement of laws and treaties (counternarcotics, fisheries, smuggling, alien interdiction); search and rescue; marine environmental response and protection; safety and security of marine transportation, ports, waterways and shore facilities; contingency and response planning; legal authority and jurisdiction; resource management to include budget formulation and workforce planning, training and retention; and national defense preparedness.

The training program development process begins by first assessing the state of the partner nation's maritime program, resources and the organization designated as the lead for this responsibility. A tailored, and possibly joint, training plan is then developed to meet the partner nation's program goals. Ultimately, in-country teams help the partner organization carry out the developed training plan to the point of established self-sufficiency. The team can assist a country in achieving national maritime goals in non-defense areas within the U.S. Coast Guard's area of expertise. Should the partner nation have a mission or issue that is covered by multiple U.S. agencies, which includes the U.S. Coast Guard, the team leader will assist in acquisition of personnel from other U.S. agencies. Mission areas addressed by previous Coast Guard and joint training teams include: evaluation of maritime law enforcement programs, development of model ports relative to narcotics intervention, creation of an implementation plan for a multi-mission, multi-agency maritime service management model, and development of training plans and institutions for multi-agency marine safety and maritime law enforcement programs.

The following charts show actual and projected training and assistance events for FY00 and FY01.

USCG Technical Assistance

FY00 (Completed)

Country	Course Title	Start Date	Finish Date	Funding Source
Antigua	Intro to Operational Management Mobile Training Team	31 Mar 00	14 Apr 00	Embassy
Antigua (RSSTU)	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	INL
Aruba	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	22 May 00	26 May 00	Direct
Aruba	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	29 May 00	02 Jun 00	Direct
Bangladesh	Model Maritime Service Code Phase 1	07 May 00	11 May 00	IMET
Belize	Port Security/ Port Vulnerability Mobile Training Team	18 Oct 99	22 Oct 99	INL

Benin	Engineering Logistics and Admin Mobile Training Team	06 Mar 00	17 Mar 00	IMET
Bolivia	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	Embassy
Colombia	Small Boat Operations Mobile Training Team	08 Nov 99	19 Nov 99	INL
Costa Rica	Port Security/ Port Vulnerability Mobile training team	05 Jun 00	17 Jun 00	Embassy
Croatia	Model Maritime Service Code Phase 2	11 Sep 00	15 Sep 00	IMET
Curacao	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	15 May 00	19 May 00	Direct
Ecuador	Counter Drug Training Support Mission	23 May 00	27 Jun 00	DOD
Ecuador	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	28 Aug 00	01 Sep 00	IMET
Ecuador	Riverine Operations Support and Training	13 Feb 00	19 Feb 00	DOD
Ecuador	Riverine Operations Support and Training	21 Apr 00	28 Apr 00	DOD
Fiji	Maritime Needs Assessment	20 Mar 00	24 Mar 00	IMET
Fiji	Model Maritime Service Code Phase 1	20 Mar 00	24 Mar 00	IMET
Georgia	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	USCS
Greece	MLE Instructors Course Mobile Training Team	22 May 00	26 May 00	EUCOM
Grenada	Hull Maintenance (CST)	19 Jun 00	21 Jun 00	DOD
Haiti	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	IMET
Haiti	Small Boat Electronics Mobile Training Team	03 Jul 00	14 Jul 00	IMET
Jamaica	Container Inspection Mobile Training Team	26 Jun 00	29 Jun 00	Embassy
Jamaica	Deck Seamanship (CST)	29 May 00	30 May 00	DOD

Jamaica	Hull Maintenance (CST)	30 May 00	01 Jun 00	DOD
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USCG Technical Assistance (Cont.)

FY00 (Completed)

Country	Course Title	Start Date	Finish Date	Funding Source
Jamaica	Outboard Motor Maintenance (CST)	29 May 00	30 May 00	DOD
Japan	Container Inspection Mobile Training Team	08 Nov 99	12 Nov 99	
Japan	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	14 Feb 00	25 Feb 00	FMS
Japan	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	28 Aug 00	08 Sep 00	FMS
Japan	Maritime Law Enforcement, VBSS	14 Jul 00	20 Jul 00	FMS
Kenya	Boarding Officer, Counternarcotics Maritime Law Enforcement Mobile Training Team	11 Oct 99	22 Oct 99	IMET
Kenya	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	11 Oct 99	15 Oct 99	IMET
Kenya	MLE Instructors Course Mobile Training Team	18 Oct 99	22 Oct 99	IMET
Macedonia	Hull Maintenance Mobile Training Team	11 Sep 00	15 Sep 00	IMET
Macedonia	Outboard Motor Maintenance Mobile Training Team	04 Sep 00	08 Sep 00	IMET
Madagascar	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	25 Oct 99	29 Oct 99	IMET
Nicaragua	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	06 Dec 99	17 Dec 99	IMET
Nicaragua	MLE Interdiction Planning Mobile Training Team	19 Jun 00	23 Jun 00	IMET
Pakistan	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	17 Jul 00	21 Jul 00	INL
Pakistan	Maritime Law Enforcement Counter Narcotics - Conference and Assessment	02 Jun 00	10 Jun 00	DOD

Panama	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	Embassy
Papua New Guinea	Outboard Motor Maintenance Mobile Training Team	03 May 00	07 May 00	IMET
Peru	Maritime Commerce Control, Infrastructure Development Mobile Training Team	01 Oct 99	30 Sep 00	DOD
Philippines	Joint Counter narcotics Course, Mobile Training Team	10 APR 00	14 Apr 00	USAID
Philippines	MLE Instructors Course Mobile Training Team	03 Apr 00	07 Apr 00	USAID
Philippines	MLE Interdiction Planning Mobile Training Team	27 Mar 00	31 Mar 00	USAID
Romania	Model Maritime Service Code Phase 2	20 Dec 99	24 Dec 99	IMET
Seychelles	Model Maritime Service Code Phase 1	09 Jun 00	16 Jun 00	IMET
Solomon Island	Outboard Motor Maintenance Mobile Training Team	10 May 00	14 May 00	IMET
St Maarten	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	25 Apr 00	28 Apr 00	Direct

USCG Technical Assistance (Cont.)

FY00 (Completed)

Country	Course Title	Start Date	Finish Date	Funding Source
St Vincent	Deck Seamanship (CST)	19 Jun 00	19 Jun 99	DOD
St Vincent	Navigation (CST)	20 Jun 00	20 Jun 00	DOD
Suriname	Model Maritime Service Code Phase 2	13 Dec 99	17 Dec 99	IMET
Thailand	Counter Narcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	07 Mar 00	17 Mar 00	Embassy
Trinidad & Tobago	Deck Seamanship (CST)	27 Jun 00	27 Jun 00	DOD
Trinidad & Tobago	MLE Boarding Officer (CST)	23 Jun 00	28 Jun 00	DOD

Trinidad & Tobago	Port Security/ Port Vulnerability Mobile Training Team	11 Oct 99	15 Oct 99	INL
Tunisia	MLE Instructors Course Mobile Training Team	08 May 00	12 May 00	IMET
Vanuatu	Model Maritime Service Code Phase 1	14 Aug 00	18 Aug 00	IMET
Yemen	Maritime Needs Assessment	29 Jun 00	07 Jul 00	FMS

USCG Technical Assistance

FY01 (Proposed)

Country	Course Title	Funding
Albania	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Antigua and Barbuda	Maritime Commerce Control, Infrastructure Development Mobile Training Team	INL
Aruba	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	FMS
Bahamas	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Bahamas	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Benin	Outboard Motor Maintenance, Advanced Mobile Training Team	IMET
Bolivia	Maritime Commerce Control, Infrastructure Development Mobile Training Team	Embassy
Bulgaria	Advanced Boarding Officer Course, MLE	INL
China	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	INL
China	Port Physical Security / Port Vulnerability Assessment Basic Mobile Training Team	INL
China	Small Boat Operations Mobile Training Team	INL
Colombia	Boarding Officer, Counter-Narcotics Maritime Law Enforcement	INL

	Mobile Training Team	
Colombia	Curriculum Infusion Program, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Colombia	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Colombia	Port Physical Security / Port Vulnerability Assessment Advanced Mobile Training Team	FMS
Costa Rica	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	INL
Costa Rica	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	INL
Costa Rica	Small Boat Operational Training Program Development Mobile Training Team	IMET
Costa Rica	Small Boat Operations, CG-11	INL
Croatia	Model Maritime Service Code Phase 3 - Development	IMET
Curacao	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	FMS
El Salvador	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
El Salvador	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Georgia	Engineering/Logistics Administration Mobile Training Team	USCS
Greece	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	Direct

USCG Technical Assistance (Cont.)

FY01 (Proposed)

Country	Course Title	Funding
Haiti	Maritime Commerce Control, Infrastructure Development Mobile Training Team LTT	IMET

Honduras	Small Boat Operations Mobile Training Team	INL
Indonesia	Joint Counternarcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	IMET
Indonesia	Joint Counternarcotics Maritime Law Enforcement Boarding Officer Mobile Training Team	IMET
Jamaica	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Jamaica	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Jamaica	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Latvia	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	DOS
Latvia	Model Maritime Service Code Phase 2 - Planning	INL
Lebanon	Model Maritime Service Code Phase 1 - Assessment	INL
Lebanon	Model Maritime Service Code Phase 2 - Planning	INL
Lebanon	Model Maritime Service Code Phase 3 - Development	INL
Mozambique	Model Maritime Service Code Phase 1 - Assessment	IMET
Mozambique	Model Maritime Service Code Phase 2 - Planning	IMET
Namibia	Boarding Officer - Fisheries	IMET
Namibia	MLE Pre Training Survey	IMET
Nicaragua	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Nicaragua	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Pakistan	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	INL
Panama	Joint Counternarcotics Maritime Law Enforcement Boarding	INL

	Officer Mobile Training Team	
Panama	Maritime Commerce Control, Infrastructure Development Mobile Training Team	Embassy
Panama	Small Boat Operations Mobile Training Team	INL
Portugal	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Portugal	MLE Pre Training Survey	IMET
Russia	Instructors Course, MLE CG-03	INL
Russia	Miscellaneous Mobile Training Team Out-CONUS	IMET
Samoa	Leadership and Management	IMET

USCG Technical Assistance (Cont.)

FY01 (Proposed)

Country	Course Title	Funding
Solomon Islands	Small Boat Operations Mobile Training Team	IMET
Suriname	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Suriname	Interdiction Planning, Counternarcotics Maritime Law Enforcement Mobile Training Team	IMET
Suriname	Introduction to Operational Information Management MTT	IMET
Suriname	Model Maritime Service Code Phase 4 - Implementation	IMET
Suriname	Small Boat Operations Mobile Training Team	IMET
Thailand	Instructors Course, MLE CG-03	INL
Tunisia	Instructor Course, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	IMET
Uzbekistan	Boarding Officer, Advanced, Counternarcotics Maritime Law Enforcement Mobile Training Team	INL

Uzbekistan	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	INL
Vanuatu	Model Maritime Service Code Phase 3 - Development	IMET
Yemen	Maritime Commerce Control, Infrastructure Development Mobile Training Team	FMS
Yemen (Sanaa)	Maritime Commerce Control, Infrastructure Development Mobile Training Team	FMS
Zambia	Boarding Officer, Counter-Narcotics Maritime Law Enforcement Mobile Training Team	Embassy
Zambia	MLE Pre Training Survey	IMET
Zimbabwe	MLE Pre Training Survey	IMET

USCG Vessel Transfer

Excess Defense Articles Program

Vessel Description	FY00	FY01 (Planned/Proposed)
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82-Foot Patrol Boat	Jamaica (2)	Colombia (3)
-	Panama (1)	Trinidad & Tobago (2)
-	Philippines (1)	Dominican Republic (1)
-	Costa Rica (1)	Panama(1)
-	Georgia (1)	Philippines (1)
-	Argentina (1)	Costa Rica (1)
-	Colombia (1)	El Salvador (1)
-	Turkmenistan (1)	-

180-Foot Buoy Tender	-	Dominican Republic (1)
-	-	Ghana (1)

44-Foot Motor Life Boat	Seychelles (4)	Tunisia (8)
-	Honduras (4)	El Salvador (4)
-	-	Chile (5)
-	-	Guyana (4)
-	-	Madagascar (6)

United States Customs Service

Since 1973, the U.S. Customs Service has provided a comprehensive program of international counter narcotics training and assistance to foreign customs and other border control agencies. Individual training and assistance programs are tailored to meet the needs of the recipient country but usually focus on one or more of the following subject areas: narcotics interdiction at air/sea/land ports of entry; financial investigations; training development; and management of special enforcement teams.

Counter Narcotics Training and Assistance

In 2000, U.S. Customs conducted a total of 246 international counternarcotics programs involving 2280 participants from over 89 countries. Programs conducted outside the U.S. included 13 Overseas Enforcement Training (OET) Programs for individual countries; one Regional Overseas Enforcement Training (ROET) Program for two or more countries; five Train-the-Trainer Workshops (T3W) for an individual country; six Short Term Advisory (STA) programs; four Contraband Enforcement Team (CET) programs; five Integrity/Anti-Corruption Programs; one Intelligence program; one Asset Forfeiture Seminar; and ten Industry Partnership Program (IPP) seminars.

In addition to the normal schedule of international counternarcotics training and assistance conducted under the auspices of INL, U.S. Customs carried out a number of counternarcotics projects in response to high priority concerns during 2000. Among these are the following:

- U.S. Customs provided technical training and assistance in support of the International Law Enforcement Academy (ILEA) programs currently operating in Budapest and Bangkok. U.S. Customs has developed and conducted specialized training on topics which include: International Controlled Deliveries and Drug Investigation conducted jointly with DEA; Complex Financial Investigations, conducted jointly with IRS; and Intellectual Property Rights, conducted with the FBI.
- U.S. Customs developed and implemented a Colombian training and assistance initiative, focusing on narcotics interdiction efforts, combating the Black Market Peso Exchange, gathering of intelligence, and bilateral cooperative efforts between the government of the U.S. and Colombia. In support of Plan Colombia, U.S. Customs will provide training and assistance focusing on integrity, border interdiction, trade fraud, intelligence collection, industry partnership programs, and financial crimes issues in Colombia. In addition, an Andean Regional Initiative has been developed to counter the effects of Plan Colombia in the Andean Region.
- The Nigeria Inter-Agency Working Group was established to provide support and assistance to the democratic process, infrastructure improvements, and economic development in Nigeria. Over the past two years, U.S. Customs has participated in several multi-agency assessments, including a January 2000 INL-funded Special Airport Narcotics Interdiction Course in Lagos, which will focus on the targeting and search of passengers, cargo and aircraft, and smuggling investigations. In addition, funding was provided by INL for a Contraband Enforcement Team Training Program that took place in October 2000.
- The Safe Skies for Africa Initiative is intended to promote sustainable improvements in aviation safety and security in Africa and to create the environment necessary to foster the growth of

aviation services between Africa and the United States. The initiative recognizes that Safe Skies are a prerequisite for increased trade and investment and long-term economic development in Africa. In support of this initiative, the U.S. Government periodically sends multi-agency teams to conduct surveys of the aviation needs of the selected countries and will assist them in developing work plans to improve and enhance their aviation infrastructure. These countries are then encouraged to work with international organizations and the private sector to implement these plans. U.S. survey teams, which include one U.S. Customs Inspector, visited Kenya in March 1999, Cote d'Ivoire in July 1999, and Tanzania in November 1999. The Safe Skies team re-visited Kenya in April 2000, Cape Verde in May 2000, Namibia/Cameroon June 2000 and Mali in August 2000.

- A U.S. Customs canine expert traveled to Colombia during March 2000 to conduct a Post-funded canine program assessment. In addition, under Hurricane Mitch Supplemental funding six Honduran canine officers participated in canine training programs at the U.S. Customs Canine Training Center located in Front Royal, Virginia.
- Post-funded Short-Term Advisory projects were conducted in Venezuela in February and November 2000.

Industry Partnership Programs

Carrier Initiative Program (CIP) and Business Anti-Smuggling Coalition (BASC) training are conducted for U.S. Customs' industry partners. The Carrier Initiative Program provides counternarcotics and security training to air, sea and land commercial transport companies (carriers) and emphasizes public-private partnerships in which U.S. Customs and the carrier companies cooperate to prevent commercial conveyances from being utilized to smuggle narcotics.

The Business Anti-Smuggling Coalition (BASC) is a business-led, U.S. Customs-supported alliance created to combat narcotic smuggling via commercial trade. As a voluntary program for businesses, with no Government-imposed mandates, corporate participants are expected to set self-imposed business standards that will significantly deter narcotics traffickers. The BASC program examines the entire process of manufacturing and shipping of merchandise from foreign countries to the United States, emphasizing the creation of a more security-conscious environment at foreign manufacturing plants to eliminate, or at least reduce, product vulnerability to narcotics smuggling. By examining packing and shipping practices and identifying and correcting deficiencies along the spectrum of the import process, businesses can reduce their exposure to the likelihood that their shipments will be used as narcotics smuggling vehicles.

The FY 1999 funding cycle was the ninth year in which INL funded Customs' international training for the Carrier Initiative Program, and the third in which INL funding was provided for the BASC. INL funds were used to present CIP and BASC training to 744 employees in 10 foreign training seminars. Most of the FY 1999 funded programs were presented during FY 2000. These seminars and site surveys were offered in the following countries: Aruba, Colombia, Dominican Republic, El Salvador, Guyana, Jamaica, Mexico, Peru, and Nigeria. Costs relating to these programs are partially offset by the sponsoring commercial transportation companies.

At present, over 4,100 carriers operating in the maritime, trucking, rail, and air environments participate in the Carrier Initiative Program. Over 200 foreign manufacturers and exporters have begun participation in the BASC since its inception in 1996. In FY 2000, Customs Industry Partners effected over 200 foreign interceptions of illegal drugs, with a total weight of over 44,000 pounds. They also provided information and assistance leading to over 80 drug seizures at the U.S. border, with a weight in excess of 36,000 pounds. In total, CIP and BASC participants contributed to 280 interceptions and seizures, preventing over 80,000 pounds of illegal drugs from entering the United States.

U.S. Customs and the Mattel Corporation, one of private industry's first proponents of the Business Anti-Smuggling Coalition (BASC), addressed the 10th Working Group meeting of the World Customs Organization's (WCO) Alliance of Customs and Trade for the Interdiction of Narcotics (ACTION/DEFIS). Discussed were the development of the BASC program, reasons why industry desired such a program, and the benefits enjoyed by Customs and industry as a result of the program. It was announced that the International Chamber of Commerce has endorsed BASC and hopes to work with the WCO in expanding BASC around the world.

The Americas Counter Smuggling Initiative (ACSI) is a priority undertaking established by U.S. Customs to build upon the success of the CIP and BASC, by strengthening and expanding our antinarcotics security programs throughout Central and South America. Under the auspices of ACSI,

U.S. Customs officials are being detailed to select Central and South American countries to assist businesses and host governments in developing security programs and initiatives to safeguard legitimate shipments from being used to smuggle narcotics. A parallel track of the ACSI includes the training of counterpart customs administrations and other appropriate foreign government antidrug forces. During 1999, U.S. Customs successfully introduced ACSI to the governments and trade and transportation entities in the seven targeted countries (Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru and Venezuela).

Results

Particularly noteworthy in assessing U.S. Customs international counternarcotics training and assistance during 2000 are the following reports on the results of the training efforts in terms of narcotics seizures, improvement in the organization of counternarcotics law enforcement, and increased public awareness:

- In a cable dated April 4, 2000, the U.S. Embassy in San Salvador attributes the seizure of 4.7 kilograms of cocaine and arrests of two subjects to U.S. Customs training efforts. On March 16th Division of Anti-Narcotics (DAN) agents assigned to a mobile inspection team established a vehicle checkpoint near the El Amatillo Border Crossing. During the operation, DAN agents inspected a local bus courier that operates within the boundaries of El Salvador and Honduras. DAN agents conducted interviews of the passengers that resulted in two females being escorted to the DAN office. A female DAN agent conducted a patdown search that revealed two brick size packages beneath the clothing of each suspect. Each brick package contained a white powdery substance that tested positive for cocaine. The San Salvador country office noted that members of the mobile inspection team, including the female agent, had just returned from a one-week training seminar presented by the U.S. Customs Service in El Paso, Texas.
- In a cable dated April 28, 2000, the U.S. Embassy in Quito attributes the seizure of 76.6 kilograms of cocaine to U.S. Customs training efforts. During April 5-15, 2000, NAS/Ecuador and U.S. Customs held an Overseas Enforcement Training Program in Guayaquil for 28 Ecuadorian National Police (ENP) personnel. The training focused on containerized cargo inspection techniques and included practical inspection exercises at the Guayaquil Seaport. Barely two weeks after the training the ENP canine unit in Guayaquil made a major seizure of cocaine hidden in a container of artificial pumice bound for the Port of Miami. The seizure demonstrated the ENP's more aggressive law enforcement in the port and the mastery of new skills learned including improved searching techniques and quicker follow-up of investigative leads.

Customs Mutual Assistance Agreements

In 2000, the United States Government signed Customs Mutual Assistance Agreements (CMAAs) with the Governments of Bulgaria, Philippines, Mexico and South Africa and pending signatures with Brazil and Malta. The United States Government signed a CMAA with the Government of Mexico in 1976. However, the respective Customs administrations agreed to pursue a new CMAA which now, among other things, improves conformity to current operational practices unique to the countries' shared border status. The new U.S./Mexico CMAA also takes into account issues of both the U.S. Departments of State and Justice and provides U.S. Customs with an updated legal framework with which to enforce customs laws and exchange information.

CMAA negotiations are currently on-going with the Governments of Chile, Kuwait and Paraguay. CMAAs provide for mutual assistance in the enforcement of customs-related laws, and U.S. Customs utilizes these agreements to assist in evidence collection for criminal cases involving narcotics smuggling and money laundering. U.S. courts have ruled that evidenced gathered via these executive agreements is fully admissible in U.S. court cases.

Shared Financial Assets

In FY 2000, U.S. Customs shared financial assets with five countries:

Cayman Islands	\$2,680,803
Switzerland	\$431,543

Netherlands	\$1,717,743
England	\$719,743
Canada	\$241,446
Total	\$5,791,278

U.S. Customs Counternarcotics Training Statistics

Programs	Number of Participants	Number of Programs
-	-	-
<i>Training in the U.S.</i>	-	-
International Visitors Program	701	193
-	-	-
<i>Training in Host Countries</i>	-	-
Overseas Enforcement Training	381	13
Regional Overseas Enforcement Training	22	1
Train-the-Trainer Workshop	74	5
Short Term Advisory	30	6
Contraband Enforcement Team	108	4
Integrity/Anti-Corruption	114	5
Intelligence Training	45	1
Outbound Currency Interdiction Seminar	30	2
Assessments	-	3
Canine Training (U.S. Based)	6	2

Asset Forfeiture Seminar	25	1
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U.S. Customs Counternarcotics Training Statistics (Cont.)

Programs	Number of Participants	Number of Programs
Carrier Initiative Program Seminars/Business Anti-Smuggling Coalition	744	10
<i>Total</i>	<i>2280</i>	<i>246</i>

[End.]

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U.S. DEPARTMENT OF STATE

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South America

Argentina

I. Summary

Argentina is not a major drug producing country, but it remains a transit country for cocaine flowing from neighboring Bolivia, with undetermined quantities of the drug also being moved through Argentina in international transit from Peru and Colombia. Within the last several years, Argentina has become a transit area for Colombian heroin enroute to the U.S. East Coast (primarily New York), although there is no evidence that the quantities involved significantly affect the U.S. According to Argentine government (GOA) statistics, domestic drug use is growing. Although the overall number of people arrested for possession and trafficking declined by a small amount last year, the number of seizures increased. This is indicative of a more focused use of investigative resources by the GOA, where trafficking organizations are being targeted instead of individual violators. Still, the smuggling of coca leaf into Argentina from Bolivia remains a problem, with 92,333 kilograms of coca leaf seized by Argentine authorities in 2000.

While cognizant of its responsibilities in the interdiction area, the Argentine government focuses its counternarcotics efforts on demand reduction. Federal counternarcotics policy is coordinated by the Secretariat for the Prevention of Drug Addiction and Narcotics Trafficking (SEDRONAR). The government has several national security forces involved in counternarcotics efforts, and provincial police forces also play an integral role.

There has also been some positive movement on money laundering legislation in 2000. Argentina is a party to the 1988 UN Drug Convention.

II. Status of Country

Argentina is not a major drug producing country. According to the first national survey on drug use, released in June 1999, 2.9 percent of adults between the ages of 16 and 65 said they had consumed an illegal drug in the previous 30 days. Marijuana is the most popular illegal drug consumed, with cocaine HCl and inhalants ranked second and third. Illicit cultivation remains negligible. There is very limited refining or manufacturing of illicit drugs, with small amounts being produced in the country. Most Argentine officials agree that the trafficking of narcotics through Argentina is a problem, although it has remained difficult to quantify the flow with any degree of accuracy. Argentina has a large and well-developed chemical industry which manufactures almost all the precursors necessary for the processing of cocaine. Buenos Aires also has a sophisticated financial sector, which could be used for money laundering operations.

Bolivia is the primary source of cocaine entering Argentina. Some drugs, such as marijuana, enter via Paraguay and Brazil. Within the past several years, the trafficking of Colombian heroin through Argentina to the U.S. East Coast has increased significantly. Seizures of psychopharmaceuticals, such as "ecstasy," continue to occur. Amphetamine seizures are increasing as well.

Commercial aircraft, private and commercial vehicles, containerized rail cargo, and foot traffic all serve as means of entry of drugs into Argentina. The thousands of uncontrolled airfields and small municipal airports, combined with the continuing lack of national radar coverage are factors which make Argentina attractive to potential traffickers. Riverine traffic from Paraguay and Brazil is another probable method for moving narcotics into and through Argentina. Drug shipments out of the country are mostly via commercial aircraft or through Argentina's maritime port systems. Couriers of cocaine

from Buenos Aires' Ezeiza International Airport are primarily destined for Europe, South Africa, and Australia. Air couriers of heroin are primarily destined for the United States. Maritime transport from Argentina is conducted by passengers, bulk cargo and possibly containerized cargo departing from Argentine ports.

As a member of MERCOSUR, Argentina cannot open and inspect sealed containers from another member state which are passing through the country in transit. These sealed and uninspected containers are considered to be a high trafficking threat.

III. Country Actions Against Drugs in 2000

The government actively opposes drug trafficking and the sale and use of illegal narcotics within the country. Argentina is party to the 1988 UN Drug Convention. In 1989, the Argentine congress passed the laws necessary to bring the 1988 UN Drug Convention into effect. Various presidential decrees since then have targeted money laundering and allowed asset seizures. In 1998, a witness protection program for key witnesses in drug-related prosecutions was created.

Argentina remains very active in multilateral counternarcotics organizations such as the Inter American Drug Abuse Commission (CICAD), the International Drug Enforcement Conference (IDEC), and the UNDCP. In 2000, Argentina continued to urge MERCOSUR to play a larger role in money laundering and chemical precursor diversion investigations. The GOA also hosted the IDEC in 2000.

Demand Reduction. The GOA has traditionally focused its narcotics efforts on demand reduction. Drug use is treated as a medical problem and addicts are eligible to receive government subsidized treatment. Buenos Aires province (the most heavily populated) has its own well-established demand reduction program which coincides with the province probably hosting the most drug users.

Law Enforcement Efforts. Argentina has many federal and provincial police forces involved in the counternarcotics effort. The primary federal forces involved are the Federal Police (who also have jurisdiction for crimes committed in or connected to the city of Buenos Aires), the Gendarmerie Nacional (border police), the National Customs Service, the National Air Police, and the National Coast Guard. The provincial police forces of Buenos Aires, Salta, and Jujuy are also very involved in the counternarcotics campaign.

All of Argentina's security forces face continuing severe counternarcotics budget limitations which have hampered investment in training and equipment. Also, a lack of coordination between the many, and at times, competing, law enforcement organizations continues to lessen GOA effectiveness. The GOA recognizes this problem and has taken some steps to try to alleviate it.

Marijuana seizures were up dramatically from 1999 as were heroin seizures. In 1999, 57,276 kilograms of marijuana, 34 kilograms of heroin and approximately 1.2 metric tons of cocaine base and hydrochloride were seized. In 2000, 23,464 kilograms of marijuana, 47.4 kilograms of heroin and over two metric tons of cocaine base and hydrochloride were seized in Argentina. However, drug arrest statistics declined in 2000, from 6,367 arrests in 1999 to 7,171 arrests in 2000. The U.S. Embassy believes this demonstrates a more focused use of GOA law enforcement investigative resources, where trafficking organizations are being targeted instead of the individual violator.

Corruption. The recently restructured De La Rúa government has reiterated that the fight against corruption is one of its highest priorities. Argentina is a party to the Inter American Anti-Corruption Convention and has signed the OECD antibribery convention.

Agreements and Treaties. In 1990, Argentina and the USG signed a mutual legal assistance treaty that went into effect in 1993. In 1997, the USG and Argentina signed a new extradition treaty. The exchange of instruments of ratification took place on June 14, 2000 and the treaty went into effect on June 15, replacing an outdated treaty signed in 1972. A memorandum of understanding between the U.S. Treasury and SEDRONAR dealing with the exchange of financial information relating to money laundering was signed in 1995.

The GOA is a party to the 1988 UN Drug Convention. It also has bilateral narcotics cooperation agreements with many neighboring countries. The United Kingdom, Germany, Australia, France, and Italy provide limited training and equipment support. Argentina signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Precursor Chemical Control. Argentina has a well-developed chemical industry which

produces many of the necessary solvents, acids, and oxidizing chemicals needed for the extraction of cocaine from the coca leaf and its subsequent purification. Argentine authorities seized 2,702.80 liters of chemicals in 2000.

A presidential decree signed in 1991 placed controls on essential chemicals and precursors, requiring that all manufacture, import or export of precursor chemicals (and certain pharmaceutical drugs) be registered with SEDRONAR. In 1996, another decree included the need for distributors and transporters to register. Until very recently, not much was done to verify the bona fides of chemical transfers. Due to resource constraints and deficiencies in the relevant earlier decrees, there have been very few investigations into suspicious chemical transfers.

SEDRONAR has recognized longstanding problems with the old chemical register. The GOA has introduced new and more secure import and export certificates. SEDRONAR has begun to rebuild a national database of producers and distributors to gain a better understanding of the scope of the problem and has formed an eight-person chemical investigation unit. The GOA has proposed to its neighbors that they work more closely together to monitor the flows of chemicals in the region. SEDRONAR officials say they are willing and able to exchange records with USG law enforcement authorities.

IV. U.S. Policy Initiatives and Programs

In 1989, the governments of the United States and Argentina signed a cooperation agreement against drug trafficking, which was implemented annually until 1995 through a series of memoranda of understanding. The programs continue, using money obligated during earlier years. During that time, USG assistance totaled approximately \$2.9 million. Just over \$2 million was used to supply equipment, with the balance used for training programs for Argentine law enforcement personnel.

Cooperation between the USG and Argentine authorities, both federal and provincial, continued to be excellent in 2000. The Northern Border Task Force (NBTF) and Group Condor, major DEA-supported initiatives in the frontier region with Bolivia, continue to produce noteworthy results. Both the NBTF and Group Condor devote all of their investigative resources to counternarcotics work. State Department funding has been used to provide equipment and training for both units. The NBTF and Group Condor have seized 368.2 kilograms of cocaine and arrested 25 traffickers in calendar year 2000. A major benefit derived from both the NBTF and Group Condor operations has been the cooperation between participating agencies in the conduct of joint investigations. The U.S. Embassy in Buenos Aires will continue to work with and train the various agencies involved in these groups to ensure continued success.

The U.S. Embassy funded the participation of a U.S. expert involved in the development of the "Partnership for a Drug Free Argentina." The Argentine Ad Council launched the program in late 1998. The ad council estimates that local media has donated over \$18 million in free time and space. The campaign has been very successful, bringing in thousands of calls for information about prevention and rehabilitation programs. The U.S. Embassy was also active in sponsoring a successful series of seminars on drugs and the media.

The Road Ahead. The GOA should continue to focus its efforts on the critical northern border area where the vast majority of cocaine enters Argentina, without neglecting other potentially important areas such as the tri-border area where Argentina, Paraguay, and Brazil meet. The USG will work with the Argentine Customs Service and Air Police to target heroin trafficking to the U.S. East Coast and cocaine movements by couriers through Argentina's airports. The GOA should also determine the extent of South Atlantic maritime trafficking. The U.S. Embassy will continue to work with SEDRONAR to develop effective chemical controls and identify the illegal diversion of precursor chemicals.

Bolivia

I. Summary

Bolivia continues to be the model for the region in coca eradication. An extremely effective eradication program in the Chapare, previously Bolivia's principal coca-growing region has reduced the number of hectares of coca under cultivation to fewer than 600. Despite recent changes within the Banzer government and disturbances throughout the country, all commercially significant coca fields were eliminated from the Chapare by the end of 2000. The disturbances also negatively impacted the gains in counternarcotics alternative development production. Even though Bolivia produced less cocaine in 2000 than the year before, drug seizures increased, when expressed as a percentage of potential

production. Enforcement of the anti-money laundering law was hampered by bureaucratic insufficiencies and legal restrictions, resulting in no arrests or prosecutions in 2000. It remains unclear if new regulations that will take effect in May 2001 will resolve the legal ambiguities regarding asset seizure and forfeiture.

A highly effective chemical interdiction program has forced Bolivian traffickers to continue to rely on inferior substitutes for scarce and expensive chemicals smuggled in from neighboring countries and to streamline the cocaine base and hydrochloride (HCl) production process. As a consequence, the purity of Bolivian cocaine has been greatly reduced. Most foreign traffickers now prefer to purchase base in Bolivia, or to import Peruvian base for transshipment and processing into HCl in Brazil, where essential chemicals are readily available. Counternarcotics alternative development initiatives in the Chapare continue to provide licit alternatives to coca. Bolivia is a party to the 1988 UN Convention.

II. Status of Country

During 2000, Bolivia continued to trail Colombia and Peru in the production of coca leaf and cocaine. In 2000, the Government of Bolivia (GOB) eradication program reduced coca cultivation by 33 percent nationwide—and by over 90 percent in the Chapare—from 21,800 hectares at the end of 1999 to 14,600 hectares by the end of 2000. Potential leaf production declined by 41 percent, from 22,800 metric tons to 13,400 metric tons, and potential cocaine production fell from 70 metric tons in 1999 to 43 metric tons. Since 1995, Bolivia's capacity to produce cocaine has been reduced from 240 metric tons to the lowest levels of cultivation and potential cocaine production since the USG began conducting imagery-based crop estimates for Bolivia in 1985.

At the end of 2000, Bolivia had a negligible amount of coca under cultivation in the Chapare region, having reduced the remaining 7,500 hectares to less than 600 hectares in December 2000. The remaining concentration of approximately 13,700 hectares is located in the Yungas region, and 300 hectares are under cultivation in Apolo. The Government of Bolivia (GOB) is currently preparing an eradication/coca reduction program for the Yungas to commence in March/April 2001. Article 29 of law 1008, Bolivia's basic counternarcotics law, presently allows for the cultivation of 12,000 hectares in the Yungas in order to satisfy legal demand. The same article permits the government periodically to reevaluate the needs of the legal coca market and revise the limit accordingly. The government plans to conduct such an evaluation during the coming year. The quantity of coca grown in Apolo is not considered significant, and no evidence suggests it is being grown for other than legitimate purposes.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The bail provisions of the Code of Criminal Procedures (CCP) took partial effect on May 31, 2000, authorizing continued detention where the court determines a risk of flight or obstruction of justice exist. Key antinarcotics provisions, such as stricter rules of evidence, will not take effect until May 31, 2001, when the code takes full effect. Progress on complementary legislation, including the Public Ministry Law, Police Law, and Judicial Branch Law has been slow. The Public Ministry Law, which is designed to professionalize the prosecutorial function and give prosecutors greater independence and control over investigations, has passed the Lower House of Congress. In the floor debate, the National Revolutionary Movement (MNR) Party opposed an article that allows the Congress broad oversight over the Public Ministry, and is seeking to have this overturned in the Constitutional Tribunal. The Congress also decided to temporarily retain its control over the selection of district prosecutors, although this will pass to the Attorney General once a career prosecutorial service is established.

Cultivation. Total cultivation of coca in Bolivia was approximately 14,600 hectares at the end of 2000, 8,400 less than a year earlier. Of the total, 13,400 hectares were of mature, harvestable coca, a 22 percent reduction from the previous year. Only 900 hectares of new coca were planted.

One hectare of Chapare coca yields an average of 2.7 metric tons of sun-dried coca leaf, which, in turn, produces 7.3 kilos of cocaine. The eradication of 7,500 hectares of Chapare coca during this year, therefore, prevented approximately 55 metric tons of cocaine from being manufactured and exported to the U.S. and other destinations.

Production. For the sixth year in a row, total potential cocaine production in Bolivia has declined, from 240 metric tons in 1995 to 43 metric tons in 2000. Moreover, the destruction of 39,279 square meters of seedbeds ensures this trend will continue when the government's coca reduction effort moves to the Yungas in 2001.

Counternarcotics Alternative Development. The U.S. Agency for International Development (USAID), with funding from the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, supports the GOB's alternative development activities which focus on consolidating the agricultural and infrastructure network, and enabling farmers to support themselves and their families without the need to cultivate coca. USAID-supported organizations are contributing to net coca reduction by providing alternative development assistance to those communities and farmer organizations that are willing to eliminate all of their coca plantings or have had all their coca eradicated forcibly.

As of September 30, 2000 the volume of licit alternative development production leaving the Chapare, as determined by the transport survey at the region's two points of exit, totaled \$67.3 million, substantially above calendar year 1999's 12-month total of \$58.2 million. Exports of Chapare licit fresh and processed crops totaled \$3.6 million, less fees for services or dues paid by members. The number of domestic agribusinesses purchasing Chapare crops or supplying agricultural inputs had increased from 46 to 67 agribusinesses.

The three weeks of civil violence and road blockages in October, however, reduced overall economic activity in Bolivia by nearly half. Farmgate losses to the Chapare farmers participating in alternative development activities exceed \$1.25 million and production infrastructure was destroyed by protesting coca growers (cocaleros). Hard-won market linkages with Argentine and Chilean buyers were also severely damaged by the inability of Chapare producers to comply with delivery contracts. The cocalero and other civil groups behind the violence and destruction have severely jeopardized what had been expanding eco-tourism and business investment opportunities, including causing the departure of financial institutions poised to begin investing and providing financial services in the Chapare.

Money Laundering. Implementation on the 1996 law against money laundering began in late 1999 when the financial investigative unit of the Superintendency of Banks established protocols with the Public Ministry and the Special Force for the Fight Against Narcotics (FELCN) for the transfer of information. However, various factors have hampered the effective enforcement of the law, including a) the lack of personnel and infrastructure in the Public Ministry and law enforcement agencies to be able to conduct criminal investigations, b) restrictions on the ability of the unit to monitor other financial institutions, such as stock, bonds, and insurance brokerages, and c) a constitutional prohibition on wiretapping. No arrests or prosecutions for money laundering violations occurred in 2000.

Asset Seizure. The Ministry of Government (MOG) has received technical assistance from USAID to regulate the seized assets regime established by the CCP. The seized assets regime will take effect on May 31, 2001, after the MOG publishes the required regulations. These new regulations should resolve the ambiguities and conflicts in the regime as set out in law 1008 and the supreme decree issued in the last year of the predecessor government. It is still unclear, however, if these new regulations will serve to revise the code provisions that appear to be unconstitutional, such as provisions that provide for the seizure and sale of the property of the accused before a final determination of guilt or innocence.

Extradition. Bolivia and the United States signed a bilateral extradition treaty in 1995. The treaty entered into force the following year and mandates the extradition of nationals for most serious offenses, including drug trafficking. The GOB has extradited two fugitives to the U.S. since January 1998, and has detained five others. All of these cases are related to narcotics charges.

Demand Reduction Programs. The GOB's budget contained little funding for the Vice Ministry for Prevention and Rehabilitation. The Vice Ministry, therefore, was unable to plan a comprehensive program of awareness and prevention. However, in conjunction with the Vice Ministry, the USG is supporting programs designed to focus on drug awareness education and counseling in public schools throughout Bolivia.

Law Enforcement Efforts. Even though Bolivia produced less cocaine in 2000 than the year before, drug seizures increased when expressed as a percentage of potential production. As of November 2000, 4.96 metric tons of cocaine derivatives were seized (but most of this was Peruvian in origin). Based on cocaine production estimates of 43 metric tons for Bolivia, the seizure amount is 11.5 percent of that estimated potential total. In 1999, the seizure rate was 9.8 percent of potential production, and 7.7 percent in 1998.

Most chemicals used in processing Bolivian coca leaf into cocaine base and HCl are smuggled from

neighboring countries. With the effective chemical interdiction program that the GOB has established over the past three years, essential chemicals are hard to obtain or difficult to afford. This has forced the Bolivian traffickers to streamline the cocaine production process to reduce or eliminate the need for some chemicals, and to use inferior substitutes and recycling. The purity of Bolivian cocaine has consequently been reduced to as low as 37 percent. In addition, Bolivian traffickers continue to use mannitol and other cutting agents to make up the quantities requested by their customers. Demand for Bolivian cocaine HCl has fallen, as a result. Most foreign traffickers now prefer to purchase cocaine base, or import Peruvian base for transshipment and refining into HCl in Brazil, where essential chemicals are readily available.

Corruption. The GOB, as a matter of official policy, does not condone, encourage or facilitate any aspect of narco trafficking.

In August, a former narcotics judge was sentenced to 12 years in prison for accepting a bribe in a 1999 narcotics trafficking case. This court decision represents the first time a Bolivian judge has ever been prosecuted and convicted under Bolivian narcotics statutes. The investigation, arrest, and sentencing of the judge represents a tremendous achievement for the counternarcotics effort in Bolivia. Prior to this, judges serving on the Santa Cruz narcotics tribunals engaged in corrupt activities with impunity, including receiving large bribes from narcotics defendants in exchange for sentence reductions, dismissal of criminal prosecutions, and returning seized assets before legal proceedings were completed. Those judges that considered themselves "untouchable" were effectively nullifying all of the counternarcotics law enforcement advances in eastern Bolivia through their criminal actions.

In September, the Santa Cruz District Appeals Court overturned a lower court decision which favored the Marino Diodato cocaine organization. The Appeals Court decision resulted in the conviction of leader Marino Diodato and four of his criminal associates on narcotics trafficking charges. The court sentenced Diodato to ten years in prison, and the four associates received prison sentences ranging from four to five years. Diodato's defense attorneys have filed an appeal with the Bolivian Supreme Court, which is under review. A final decision is expected in early 2001.

Agreements and Treaties. Bolivia is a party to the 1961 Single Convention on Narcotic Drugs, the 1972 Protocol thereto, and the 1971 Convention on Psychotropic Substances. Bolivia is also a party to the 1988 UN Drug Convention. Bolivia and the United States signed an extradition treaty in 1995, and the treaty has been in force since 1996. Bolivia signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. To ensure that the human rights of Bolivian citizens are respected by USG-supported counternarcotics forces, the mission made the prompt, thorough, and impartial investigation of all credible human rights violations a condition precedent for the disbursement of fiscal year 1999 and fiscal year 2000 Balance of Payment Program funds. The mission continues to help prepare Bolivian police and prosecutors for the implementation of the new Code of Criminal Procedure.

Bilateral Cooperation. The Bi-National Commission, chaired by the U.S. ambassador and the Vice-President of Bolivia, continues to meet regularly to monitor progress toward the goals set out in the USG-GOB counternarcotics agreements and to consider new programs and initiatives. The U.S. ambassador and senior members of the mission's counternarcotics team have also established a series of working lunches with GOB Cabinet ministers to discuss issues of mutual interest and goals for the completion of "Plan Dignidad," President Banzer's five-year plan to get Bolivia out of the drug circuit.

U.S. Customs sent two Customs Inspectors to Bolivia on a three-week mission to cover land border checkpoints in support of DEA's "Operation Gatekeeper." This operation is an ongoing joint initiative of DEA and the Bolivian National Police to control the flow of cocaine from the Chapare Valley and, thereby, the world's market. The U.S. Coast Guard maintains a long-term training team in country, working primarily with the Blue Devils Task Force riverine unit.

Road Ahead. During 2001, the GOB will split the Joint Task Force (JTF) to maintain a reduced number in the Chapare suitable for monitoring, maintaining security, and conducting eradication of replanted or residual coca. The other JTF members will be deployed in the Yungas to prepare for the implementation of an eradication program/coca reduction program there.

Cocaine HCl	2	1	1	1	7	18	32	10	17
Base	620	893	1,205	1,022	2,033	2,226	1,891	1,300	1,393

(1) The reported leaf-to-HCl conversion ratio is estimated to be 370 kilograms of leaf to one kilograms of cocaine HCl in the Chapare. In the Yungas, the reported ratio is 315:1.

(2) Most coca processors have eliminated the coca paste step in production.

(3) Agua Rica (AR) is a suspension of cocaine base in a weak acid solution. AR seizures first occurred in late 1991. According to DEA, 37 liters of AR equal one kilograms of cocaine base.

Brazil

I. Summary

Although Brazil is not a significant producer of illicit narcotics, it continues to be a major transit country for illicit drugs shipped to the United States and Europe as well as a major producer of precursor chemicals. The two main counternarcotics events of 2000 were the Brazilian government's launch of Operation Cobra, and the clarification of the government's division of counternarcotics responsibilities. With Operation Cobra, Brazil is reinforcing its northern border with Colombia against any spillover resulting from implementation of Plan Colombia by the Colombian government. Re-organizing the assignment of counternarcotics responsibilities, the Brazilian government gave responsibility for supply reduction (interdiction) to the Brazilian Ministry of Justice or its sub-agencies (such as the Federal Police), and for demand reduction (treatment/prevention) to the Brazilian antidrug agency, known as SENAD.

According to Brazilian authorities, the country's domestic drug problem is increasing. Brazil continues to cooperate with its neighbors, particularly Peru and Colombia, to effectively control the remote frontier regions where illicit drugs are transported. Federal Police reported seizing four metric tons of cocaine in 2000, a figure supplemented by state, local, and highway police forces' narcotics seizures made but not reflected in the federal government statistics.

Brazil has a bilateral narcotics agreement and a memorandum of understanding (MOU) with the U.S. providing for bilateral counternarcotics cooperation. Brazil also cooperates bilaterally with several other countries and participates in multilateral counternarcotics initiatives, such as the UNDCP and the Organization of American States/Anti-Drug Abuse Control Commission (OAS/CICAD). Brazil is a party to the 1988 UN Drug Convention.

II. Status of Country

Although Brazil is not a significant drug producing country, it is a major transit country for cocaine base moving from Andean Ridge cultivation areas to processing laboratories in Colombia. It is also a conduit for cocaine hydrochloride (HCl) from Colombia and other neighboring countries to North America, Europe, and Brazilian cities. "Crack" cocaine is used among youth in the country's cities, particularly Sao Paulo.

Brazil has a large, sophisticated financial sector. Money laundering, which became a criminal offense in 1998, is associated with narcotics trafficking, contraband, and other corruption. In November, a parliamentary investigative commission estimated annual money laundering in Brazil at 50 billion dollars, half of which it attributed to narcotics. Brazilian administration officials counter this assertion by maintaining that there is no accurate estimate of the level of money laundering in Brazil.

The Brazilian Federal Police (DPF) planned and, in September, began implementation of Operation Cobra, an ambitious three-year inter-agency effort to prevent or address any possible spillover effect from the implementation of Plan Colombia by the Colombian government through allocation of greater resources in the Amazonian border area. Construction continued on the Amazon Surveillance System (SIVAM), which will provide an integrated air- and land-based radar system by 2002 to detect trafficking and other illegal aircraft activity in the lightly populated region.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Operation Cobra (COlombia-BRAzil), reinforcing Brazil's government's

presence along its 1,600-mile border with Colombia, will cover all major rivers between Brazil and Colombia. The DPF will also implement a tactical air patrol group to cover the entire region using fixed wing and rotary wing aircraft. All major Brazilian government agencies, including the military, Foreign Ministry, Customs, Justice Ministry, Money Laundering Council (COAF), Brazilian Intelligence Agency (ABIN), and Forestry Department (IBAMA), were consulted in the elaboration of the plan.

Brazil also continues to move ahead in counternarcotics judicial reform. In September, a week-long drug courts seminar funded by the Embassy's Narcotics Affairs Section was held in Rio de Janeiro, attended by more than 50 participants from seven Brazilian states including state judges and police. Five American drug court experts administered the seminar; speakers included a U.S. federal judge, the U.S. Ambassador, and the Brazilian Chief of Institutional Security for the Office of the President. According to reports, participants have begun to move ahead in the implementation of local drug courts to try drug-related offenses.

Accomplishments. The DPF made 1,240 narcotics-related arrests and seized four metric tons of cocaine and 50 kilograms of crack in 2000. Overall statistics are incomplete, however, since only those of the DPF are reported on a national basis; DPF sources estimate they record perhaps 75 percent of seizures and detentions.

Law Enforcement. The DPF seized four metric tons of cocaine in 2000. Marijuana (cannabis) seizures of 125 metric tons in 2000 were more than twice the 54.96 metric tons seized in 1999. One drug laboratory was also dismantled.

In 2000, the DPF focused efforts on the western Amazon region, continuing operations developed from "Operation Porras," which began in 1997. Another major operation in the region features trilateral cooperation among Brazil, Peru, and Colombia. Operation XXI was a joint Brazilian/Peruvian operation that focused on cocaine trafficking organizations. The vast Amazon region remains difficult to monitor adequately, with the transport of narcotics possible by air and along the extensive river system. Some authorities claim that a majority of the cocaine shipped down the Amazon is destined for the United States. Manaus, Macapa, and Belem serve as transshipment points for drugs coming from Colombia and Peru to ships bound for world markets.

Federal counternarcotics police and state authorities also have been investigating extensive domestic distribution networks that are in place in the major and secondary cities.

Illicit Cultivation/Production. There is no significant evidence of the cultivation of illicit drugs in Brazil with the exception of some cannabis grown primarily for domestic consumption in the interior of the northeast region. DPF analysts believe that international narcotics trafficking organizations may be investing in building cocaine processing laboratories in Brazilian territory because of the availability of precursor chemicals.

Money Laundering. In 2000, the Government of Brazil implemented money laundering reporting requirements, based on 1998 money laundering legislation and implementing regulations issued in 1999. The law makes money laundering a criminal activity and requires financial entities (ranging from banks to jewelry stores) to maintain records and report suspicious financial transactions. The Council for the Control of Financial Activities (COAF), which coordinates government efforts to counter money laundering, is the central recipient of reports regarding suspect financial activities; COAF reported an appreciable increase in the number of these reports in 2000. A number of bank accounts and other funds were blocked because of suspicion of money laundering. In some instances, funds were forfeited following judicial decisions.

Asset Seizure. Many assets, particularly motor vehicles, are seized during narcotics raids and put into immediate use by the DPF, under a 1999 executive decree. Other assets are auctioned and proceeds distributed based on court decisions. Federal Police records show that ten airplanes, 303 motor vehicles, and 143 firearms were seized and used in 2000.

Precursor Chemical Control. Brazil requires registration with federal narcotics police for all production, transport, and distribution of precursor chemicals. A 1995 law places 11 chemicals under federal control (24 more are under consideration), sets minimum thresholds for reporting and record keeping on transactions, provides for import and export licensing, and fixes substantial administrative penalties for noncompliance. While compliance with the permit process appears to be widespread, a lack of resources hinders active follow-up on shipments.

The DPF has initiated several programs aimed at controlling and disrupting the diversion of precursor chemicals from Brazil to cocaine producing countries, including training and interdiction operations with cyclical audits and investigations of Brazilian chemical firms. Brazil complies with agreements on record-keeping concerning transactions of precursor and essential chemicals, and has established procedures under which such records can be made available to other countries' law enforcement authorities.

Corruption. As a matter of government policy, Brazil does not condone, encourage, or facilitate production, shipment, or distribution of illicit drugs or laundering of drug money. In December 2000, the Brazilian congressional inspection commission on corruption called for the indictment of 827 persons, including several state and local politicians and former officials.

Agreements and Treaties. Brazil became a party to the 1988 UN Drug Convention in 1991. Bilateral agreements based on the 1988 convention form the basis for counternarcotics cooperation between the U.S. and Brazil. Brazil also has a number of narcotics control agreements with its South American neighbors, several European countries, and South Africa. In December 2000, Brazil signed the UN Convention Against Transnational Organized Crime and its protocols.

The U.S. and Brazil bilateral mutual legal assistance treaty (MLAT), signed in October 1997, was ratified by the Brazilian congress in December 2000. Upon entry into force, this treaty will support efforts by Brazil to deal with narcotics trafficking and organized crime, as well as other offenses.

Brazil and the United States are parties to a bilateral extradition treaty signed in 1961. Brazil cooperates with the United States and other countries in the extradition of non-Brazilian nationals accused of narcotics-related crimes. According to the Brazilian constitution, however, no Brazilian shall be extradited, except naturalized Brazilians in the case of a common crime committed before naturalization, or in the case where there is sufficient evidence of participation in the illicit traffic of narcotics and related drugs, under the terms of the law. There were no extraditions to the U.S. of persons accused of counternarcotics activities in 2000. However, there is one extradition request pending in the Brazilian Supreme Court concerning a DEA fugitive who was arrested in 2000.

Domestic Programs (Demand Reduction/Rehabilitation). SENAD continues to enjoy success with its toll-free number on drug information. Counternarcotics funds from FY 1999 and FY 2000 have been earmarked to fund a SENAD sponsored Brazil-wide survey of drug consumption, as well as to support demand reduction and drug education programs in Brazil. Continuing previous years' investments, the U.S. supported training sessions of PROERD officers, based on the American D.A.R.E. model. PROERD provides training to uniformed state military police drug education volunteers in 22 of Brazil's 26 states, as well as in the Federal District.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. counternarcotics policy in Brazil focuses on working with Brazilian authorities to assist them to identify and dismantle international narcotics trafficking organizations, reduce money laundering and increase awareness of the dangers of drug trafficking and drug abuse. Assisting Brazil to develop a strong legal structure for narcotics and money laundering control and enhancing cooperation at the policy level are key goals. Bilateral agreements provide for cooperation between U.S. agencies, the national antidrug secretariat and the Ministry of Justice.

Bilateral Cooperation. The DPF and SENAD continued to express their strong interest in active cooperation, particularly intelligence sharing, and coordination with the U.S. in drug control activities.

U.S. law enforcement agencies expanded their information sharing activities with Brazilian police authorities in 2000, and U.S. Drug Enforcement Administration (DEA) agents were invited to observe DPF operations in the Amazon region. Brazil cooperates with authorities in neighboring countries, particularly Colombia, Peru and Bolivia, to enhance regional counternarcotics efforts.

Bilateral programs that took place in 2000 included a regional two-week drug enforcement seminar in Brazil in January, a five-week special investigative unit seminar in the U.S. in August and September, a one-week precursor chemical control course in Brazil in September, and a two-week regional drug

enforcement seminar (focusing on financial investigation) in Brazil in December. Additionally, a seminar for drug court professionals for 53 participants was given by the national association of drug court professionals in Rio de Janeiro; with U.S. funding, a Brazilian expert on prevention attended a worldwide prevention conference in September, and several PROERD (D.A.R.E.) training programs were sponsored throughout Brazil.

The Road Ahead. The planning and implementation of the ambitious Operation Cobra in northern Brazil demonstrates the Government of Brazil's serious commitment to combat trafficking and production of illegal drugs. Further signs of Brazil's strong commitment to combat drug trafficking would include passage of omnibus counternarcotics legislation and pending legislation on serious crimes, including narcotics trafficking; continued high-level attention to counternarcotics efforts; further funding of counternarcotics programs and law enforcement agencies; and continued interdiction efforts in the regions most exploited by international narcotics traffickers.

Chile

I. Summary

Chile is not a center of illicit narcotics production, but is a transshipment point for cocaine products moving to the U.S. and Europe. Chile continues to be a source of precursor chemicals exported for use in coca processing in Peru and Bolivia. Through close cooperation with neighboring countries, Chile experienced significant drug control successes in 2000. The Chilean financial system, due to its relative sophistication and legislative gaps, is vulnerable to money laundering. Narcotics corruption is not a serious issue affecting Chile. Chile is a party to the 1988 UN Drug Convention and numerous multilateral and bilateral drug-related cooperation agreements. The Government of Chile (GOC) is increasing funding to school and community-based drug abuse and prevention programs in response to identified patterns of illegal use by youth and associated increased criminal activity.

II. Status of Country

Chile remains a source of precursor chemicals illegally diverted to neighboring countries for use in processing cocaine and a medium-level transshipment point for refined cocaine exported to the U.S. and Europe. Chile is not a producer country for narcotics, aside from very small quantities of coca paste and marijuana destined for domestic markets. A 1995 law criminalized illicit association, trade in precursor chemicals destined for use in narcotics refining, and money laundering and authorized wiretaps. Legislation to replace and strengthen the 1995 law is pending in the Chilean Congress.

Multilaterally, Chile is an active member of the Inter American Drug Abuse Control Commission (CICAD) and a strong supporter of efforts to promote an effective Multilateral Evaluation Mechanism (MEM). Chile is also a signatory to the newly created (December 2000) South American Financial Action Task Force on Money Laundering (GAFISUD). Bilaterally, in August 2000 the U.S. and Chile signed an umbrella agreement to provide a consultative mechanism for sharing information, strategy and resources to continue our joint efforts in the counternarcotics struggle.

III. Country Actions Against Drugs in 2000

Policy Initiatives. A comprehensive revision of Chile's 1995 counternarcotics law was undertaken in 1999 and proposed strengthening changes were drafted. The pending changes focus on authorizing flexibility in sentencing (currently, regardless of severity of the offense, the minimum sentence is five years), combating money laundering through mandatory reporting of transactions and creation of a financial intelligence unit, and harmonizing the drug code with Chile's ongoing legal reform. Chile is in the midst of a multi-year transition from a closed judiciary-driven criminal legal system to an adversarial system with opposing prosecuting and defending attorneys making arguments in open court.

The National Drug Control Council (CONACE), the GOC's drug coordinating body, and main conduit for demand reduction activities, has a total 2001 annual budget of approximately \$15.2 million. This figure represents an over 30 percent real increase from its 2000 budget, reflecting the GOC's recognition that drug use is a significant problem in Chile. CONACE's demand reduction program for 2001 is \$8.2 million: \$3.1 million for community based prevention programs, \$2.6 million for prevention targeted at schools and \$2.5 million for drug treatment. Resources to be channeled to school and community based programs will double under this year's budget.

Drug Production, Flow, Transit. Smugglers from source countries make effective use of

the extensive containerized cargo facilities at Chile's ten ports. Complicating Chilean authorities' challenges, treaty provisions from the late nineteenth century provide for inspection-free shipment of transiting cargo originating in Bolivia or Peru. Illegal coca products enter principally from Peruvian and Bolivian land points. While some coca paste is produced in Chile, the bulk flows from its neighbors south along the Pan American Highway to Santiago and points beyond. Refined cocaine is not processed in Chile but transits packaged for export via seaports. Chilean statistics put cocaine seizures at over ten metric tons in 2000, an increase from seizures in 1999. However, factoring out the nine metric ton seizure from January (discussed below), seizures of cocaine products were down 35 percent from the 1999 level of 2.5 metric tons. Seizures of marijuana totaled over two metric tons, primarily destined for domestic consumption, which was double the amount seized in 1999. In a new development, U.S.-bound heroin surfaced; 25 kilograms were seized at the Santiago airport during 2000, versus none in previous years.

Accomplishments. By working with its neighboring Latin American and U.S. law enforcement counterparts, Chile accomplished stunning control successes during 2000. In January, Chilean authorities seized nearly nine metric tons of refined cocaine hidden in a Panamanian-flag cargo ship making a call in the northern port of Arica. In August, following a four-year investigation, Chilean authorities participated in the dismantling of a precursor chemical diversion operation involving 11,000 tons of sulfuric acid manufactured in Chile for cocaine processing in Bolivia. Chilean authorities wrapped up 2000 with their largest ever seizure of marijuana (1.5 tons), dismantling a drug ring moving Paraguayan product through Argentina for distribution in Chile.

Money Laundering. Chile's financial system is relatively sophisticated and vulnerable to money laundering activities. Current legislation does not provide for mandatory reporting of either suspicious or high value transactions. Moreover, Chile has not yet established a distinct government organization to undertake financial intelligence analysis. Further challenging Chilean anti-money laundering law enforcement efforts, present legislation requires linkage to a drug crime as a prerequisite to a money laundering case. A full revision of the 1995 counternarcotics law is pending in Congress and provisions creating a financial intelligence unit and mandatory reporting requirements are integral components of the bill. Broadening the statute to encompass non drug-related offenses as predicate to a money laundering charge is not anticipated in this bill, but the GOC hopes to address this flaw in subsequent legislation yet to be introduced. Chile is a member of the South American Financial Task Force on Money laundering (GAFISUD).

Corruption. Corruption among officials and senior law enforcement personnel is not a major problem. Transparency International's 2000 Corruption Perceptions Index lists Chile as the 18th most transparent country in the world, only four spots below the U.S. and lengths ahead of its South American neighbors, all ranked below 45th place. Where officials have been accused of corruption, GOC institutions have investigated the allegations and imposed appropriate sanctions.

Treaties and Agreements. The U.S. and Chile are parties to a bilateral extradition treaty signed in 1900, and extraditions from Chile under this outdated instrument are arduous and expensive. The Chilean Ministry of Foreign Affairs is interested in principle in updating its extradition treaties with various countries, including the United States. The GOC has also indicated interest in the issue of asset forfeiture and asset sharing subsequent to seizure. Chile is a member of the Egmont Group, which promotes the sharing of data concerning financial crimes data among relevant national agencies. As a party to the 1988 UN Drug Convention, Chile continues to work toward compliance with its goals and objectives via its 1995 counternarcotics law with proposed changes. Chile is also a party to the 1971 UN Convention on Psychotropic Substances. In August 2000, the GOC and USG signed a new agreement for cooperation and mutual assistance in narcotics-related matters. Chile has similar agreements in force with the U.K., Spain, the EU and the Czech Republic. Bilateral agreement negotiations are underway with France, Germany, Russia, Poland, Romania, Ukraine, Turkey, Tunisia, Guatemala and Honduras. Chile signed the UN Convention Against Transnational Organized Crime in December 2000.

Demand Reduction/Domestic Programs. The Chilean public is concerned about rising drug use and distribution and associates these problems with rising street crime. CONACE's last comprehensive survey was conducted in 1998 and indicated that 70,000 Chileans (5.3 percent of the population) had used illegal drugs in the past year. According to CONACE, 15 percent of drug users are cocaine base or cocaine hydrochloride users, and 17 percent of

the population has tried illicit substances at least once. Following on the 1998 survey, CONACE undertook a comprehensive survey of use by school age Chileans in late 1999. The results indicate that over 23 percent of Chilean high-school students had used illegal substances. This figure rose to over 47 percent for Santiago high school seniors. The single identifiable drug of choice was marijuana (22 percent) with use of coca products identified by 45 percent. Twenty-four percent cited "other illegal drugs", likely referring to inhalants or stimulants according to CONACE. These figures validated perceptions that illegal drug use by youth is a significant problem and led to sizeable increases in resources dedicated to school and community based prevention. Nongovernmental organizations (NGOs) are active in rehabilitation and education efforts, often with small grants from CONACE as part of a decentralized decision making initiative, and Chilean schools incorporate drug education in their curriculum using course materials designed by the NGO community.

IV. U.S. Policy Initiatives and Programs

U.S. support to Chile in 2000 reinforced ongoing joint U.S. Chilean priorities in five areas: 1) law enforcement and judiciary capacity building within the framework of the ongoing profound reform of the Chilean legal system; 2) diversion of precursor chemicals; 3) money laundering; 4) transshipment of illegal substances using containerized cargo; and 5) demand reduction. Throughout 2000, the U.S. Embassy sponsored seminars in both the U.S. and Chile to help prepare investigators, prosecutors, defenders, law school faculty, and judiciary officials for their roles in Chile's new adversarial criminal legal system. These programs included the State-sponsored participation of U.S.-based law schools and local law enforcement agencies as well as the U.S. Department of Justice. In March 2000, the Embassy brought a State Department-funded, U.S. Customs-provided course to share U.S. techniques and strategies to detect and thwart the latest methods of container alteration for the shipment of illegal drugs. In November 2000, the Embassy brought a State Department-funded team of money laundering experts to Chile to provide a week-long seminar on the latest trends and investigative techniques to over 40 of their Chilean counterparts from ten Chilean public and private sector organizations concerned with countering money laundering. In September 2000, with State Department funding and CONACE support, the U.S. Embassy let a contract to encourage a private sector based alliance to design and launch a massive antidrug media program. The contract provides support for a well regarded media consultant with a proven track record to develop a Chilean program based on highly successful models in both the U.S. (Partnership for a Drug Free America) and other Latin American countries.

The Road Ahead. In 2001, the USG intends to provide continued support to GOC efforts to combat narcotics-related problems listed above. Building on the successes of prior year programs, further capacity building surrounding judicial reform is planned. State Department-funded courses provided by the IRS regarding money laundering, by U.S. Customs on containerized cargo and by the DEA on precursor chemical diversion are all expected to take place in 2001. USG support to build a private sector-based, demand reduction-focused mass media program will likewise continue.

Colombia

I. Summary

Colombia produces and distributes more cocaine than any other country in the world and is also an important supplier of heroin. The situation has long been challenging, but it has reached crisis proportions in the last few years, with the enormous amounts of money generated by the drug trade fueling Colombia's long-standing, violent internal conflict. The illegal guerrilla and paramilitary groups that "tax" drug traffickers in return for protecting illicit cultivation and narcotics laboratories currently control almost half of Colombia's national territory, mostly in remote areas where government presence has traditionally been weak. More and more, these groups are entering into the production and trafficking phases of the narcotics business. As in previous years, their attacks on Colombian security forces and spray aircraft have hampered counternarcotics operations, especially in the guerrilla-controlled south, but also in paramilitary-dominated areas in the north. Although the Pastrana Administration remains committed to its peace dialogue with the two largest insurgent groups, the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN), its talks have shown few gains to date. After unilaterally withdrawing from the negotiating table November 14, the FARC reached an agreement with the GOC on February 9 to return to negotiations.

On July 13, 2000 President Clinton signed into law a comprehensive \$1.3 billion assistance package in support of the Government of Colombia's (GOC) "Plan Colombia," an integrated strategy focusing on the peace process, the economy, the counternarcotics strategy, justice reform and human rights protection, and democratization and social development. It supplements ongoing U.S. counternarcotics programs totaling \$330 million that were already in place. Under Plan Colombia, the U.S. will support justice sector reform and alternative development projects and will provide equipment, training, and technical assistance to the Colombian antinarcotics police and the military to increase their capability to eradicate illicit coca and opium poppy cultivation and to conduct interdiction operations. The initial geographical focus is in the department of Putumayo in southern

Colombia, where the majority of illegal crops are cultivated and where the greatest number of illegal armed groups operates. To counter this threat, the U.S. aid package provides for the training and equipping of a Counternarcotics Brigade. The second battalion in the Brigade completed its training in December 2000 and, along with the first (which completed training in 1999), is now operational.

Despite budget cutbacks early in the year and increased ground fire attacks by guerrillas and paramilitaries on spray aircraft, the U.S.-supported GOC aerial eradication program had a successful year in 2000, treating approximately 47,000 hectares of coca and 9,000 hectares of opium poppy. The GOC has an integrated strategy of combining spraying of large industrial crops with programs in which small growers agree to voluntarily manually eradicate in exchange for alternative crop development assistance.

The Colombian National Police Antinarcotics Directorate (CNP/DIRAN) and the Fiscalía General de la Republica (national prosecutor's office), in conjunction with the DEA, culminated "Operation New Generation," a long-term investigation targeting several of the largest drug trafficking organizations operating in Colombia, in which 57 defendants were arrested.

Colombia is a party to the 1988 UN Drug Convention.

II. Status of Country

Colombia remains the world's largest cocaine base producer, with up to 580 metric tons produced in 2000 from indigenous coca. Up to three-quarters of the world's cocaine hydrochloride (HCl) is processed in Colombia from cocaine base imported from Peru and Bolivia and from locally grown coca. Coca cultivation in Colombia increased by 11 percent in 2000. Most of the increase occurred outside of the eradication areas. Despite efforts by the Government of Colombia to limit increases, cultivation expanded dramatically over the past three years. Estimated coca cultivation increased 19 percent in 1997, 28 percent in 1998 and 20 percent in 1999. Colombia is also a significant supplier of heroin to the United States, potentially producing up to eight metric tons (MT) yearly, virtually all of which is destined for the U.S. market.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In 1999, Colombia began a pattern of judicial cooperation with the first extradition of a Colombian citizen to the U.S. in nine years. That pattern continued in 2000 with the extradition to the U.S. of 12 fugitives, including nine Colombian citizens, most on narcotics trafficking charges. Encouraged by this trend, the U.S. requested the extradition of 23 additional individuals in 2000. Drug kingpins Alejandro "Juvenal" Bernal-Madrigal and Fabio Ochoa-Vasquez, of the notorious Ochoa crime family, are among more than 50 fugitives, most of whom are Colombian citizens, currently under arrest and awaiting approval for extradition.

The Pastrana government has made clear, on many occasions, its opposition to official corruption. As a matter of policy, the GOC does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Appropriate legislation has been enacted to combat money laundering and related illegal financial flows associated with narcotics trafficking, and a unit exists within the Ministries of Justice and Finance to track these flows. Colombia's large commercial banks generally seek to cooperate with law enforcement authorities. Colombia's large number of small foreign exchange houses is more problematic. Colombia has joined in an initiative with the U.S., Venezuela, Panama, and Aruba to address the problem of the Black Market Peso Exchange (BMPE). The BMPE is the name given to a highly organized money-laundering system through which products such as liquor and domestic appliances are purchased abroad with narcotics-generated dollars, smuggled into Colombia and sold on the domestic market, producing pesos which can be introduced into the legitimate economy.

The second of three battalions in the Colombian Army's new Counternarcotics Brigade became operational in December 2000, with 614 troops. Together with the first battalion, which began operations one year earlier, the Brigade now numbers 1,545 troops. A 12-member joint Brigade staff comprised of officers from the Colombian Army, Navy, Air Force, and Counternarcotics police also completed training in December. The members of each unit have been vetted to ensure that there is no credible evidence that they have committed gross violations of human rights. A third battalion, which will include about 750 troops (590 of which have been vetted to date), will undergo training in 2001.

The DIRAN (Anti-Narcotics Police), with U.S. support, implemented an Airmobile Interdiction

project, which will provide the DIRAN with a quick reaction force to support interdiction activities. One company was trained in 2000, and there are plans to establish two more companies.

Throughout 2000, the Asset Forfeiture Unit of the Fiscalía demonstrated its willingness to assist the U.S. Department of Justice to freeze and seize Colombian bank accounts used to launder drug proceeds related to U.S. investigations.

The Colombian Air Force (FAC) continued to improve its monitoring and interdiction abilities. In 2000, the FAC prevented nearly all illegal aircraft from entering Colombia's north coast. Most illegal Caribbean flights instead have returned via Venezuelan airspace. Tracking assistance from the U.S. has enabled the FAC to interdict aircraft entering Colombia's eastern borders beyond the range and coverage of existing ground based radars, resulting in a 30 percent increase in air interdiction operations and the destruction of almost twice as many aircraft. Seizures of aircraft by police as a result of FAC operations have continued at the previous year's rates. With additional Plan Colombia resources in 2001, the FAC's air interdiction capabilities should continue to improve. The DIRAN's civil aviation registration program, begun in 1999, inspected 398 aircraft in 2000, finding 58 violations with 20 testing positive for drug residue.

The aerial eradication program had a successful year. Due to budgetary constraints, operations out of the Forward Operating Location (FOL) in Laramia were sharply reduced and operations out of FOL San Jose de Guaviare were suspended in April. Operations in San Jose resumed in September. A total of approximately 47,000 hectares of coca and 9,000 hectares of opium poppy were treated in 2000. The coca total represents a slight decline from the 1999 totals and the poppy total is the highest ever. During the first quarter of the year, the GOC permitted spraying of 9,160 hectares of coca along the extreme northern and southern borders of the coca-rich Putumayo department. Coca spraying also took place for the first time in the departments of Norte de Santander, Nariño, and Boyacá, areas in which illicit cultivation had previously not been significant enough to warrant the investment of resources, but where much new growth was seen in 2000. As paramilitary groups dominate the coca trade in Norte de Santander and Boyacá, these operations sent a message that the GOC will not tolerate drug traffickers of any stripe. The eradication program was hindered by 56 ground-fire attacks on spray planes—a 60 percent increase from 1999.

The aerial eradication program makes exclusive use of the herbicide glyphosate, which is mixed with water and two adjuvants, COSMO FLUX-411F and COSMO-IN-D. The U.S. Environmental Protection Agency (EPA) approved glyphosate for general use in 1974 and re-certified it in September 1993. It is approved by the EPA for use on various crops, forests, residential areas, and around aquatic areas. In its latest comprehensive review of studies on glyphosate, the EPA concluded that proper use would not cause adverse effects in humans.

With respect to environmental impact, glyphosate is not persistent in soil, it does not build up after repeated use, and it is biologically degraded rapidly by soil microbes. Because it bonds tightly with the soil, glyphosate is unlikely to leach into underground drinking water. Studies have shown glyphosate to be "practically non-toxic" to fish and, in long-term feeding studies of cows, chickens, and pigs, glyphosate was undetectable in muscle tissue, fat, milk, and eggs.

COSMO-IN-D and COSMO FLUX-411F, the adjuvants used in the aerial eradication in Colombia, are produced in Colombia, where the Ministry of Health has classified them as toxicity Category IV—lightly toxic. The EPA has determined that the ingredients in COSMO-IN-D and COSMO FLUX-411F are acceptable for use on food products when the label instructions are followed.

The Colombian Navy has credited a shipboarding agreement (signed by the GOC and U.S. in 1997) with the capture of over 23 tons of cocaine in 2000, and has described this agreement as one of its most effective counterdrug tools. The GOC also enacted two resolutions that should complicate the logistics and supply support to narco-traffickers at sea. The first lays out specific procedures and penalties concerning the control and vigilance of ships and boats. The second strengthens the penalties associated with carrying fuel in excess of the permit issued by the Captain of the Port (COTP) (to prevent refueling of "go-fast" boats at sea). It also increases penalties on operating without COTP permission or outside of areas specified by their permit, and carrying out operations with false or altered certificates. The penalties range from \$8,000 to \$11,000 and revocation of operator licenses/permits for individuals, and from \$85,000 to \$170,000 and loss of licenses/permits for corporations. Since diesel fuel is not regulated, traffickers are adjusting by putting diesel engines on smuggling boats, and by using boats with a greater range to reduce the need for refueling.

Prison security remains a serious problem in Colombia, where serious overcrowding, violence, and permissive conditions permit imprisoned traffickers to remain involved in their operations. The USG

has provided \$1.2 million to reform one high-security prison as a model. The GOC has been more inclined to build additional prisons than to reform prison administration.

The alternative development program is key to the GOC counternarcotics strategy, complementing interdiction and forced aerial eradication. It seeks to improve legal alternatives for small growers (less than three hectares) in coca and opium poppy growing areas. Plan Colombia will expand USAID programs, and it will continue to work closely with the GOC's National Alternative Development Plan (PLANTE) for several years. PLANTE has targeted 17,000 families (small producers of illicit crops) to sign voluntary illicit crop elimination agreements (specifying the timeframe and number of hectares to be eliminated) in exchange for assistance with alternative crops, livestock, forestry and community infrastructure projects.

Two key antinarcotics interdiction projects in 2000 were CNP training at ports and airports, with \$2 million of U.S. Plan Colombia monies earmarked for this project and the Business Anti-smuggling Coalition, a private initiative providing technical assistance, training, and sponsorship to companies seeking to strengthen their exporting regimes.

Accomplishments. For 2000, the DIRAN reported the seizure of over 45 metric tons (mt) of cocaine HCl and cocaine base; 145 mt of coca leaves; 45 mt of marijuana; and 572 kilograms of heroin, morphine and opium; the destruction of 292 cocaine base labs; 55 cocaine HCl labs and 10 heroin labs; the capture of over 570 mt of solid precursor chemicals and over 688,000 gallons of liquid precursors; the seizure of 646 vehicles, 447 boats, 61 aircraft and 382 weapons; the destruction of 66 clandestine airstrips; and the arrest of over 8,600 persons. Most of these operations were done with DEA assistance as part of Operation "Green Jungle." Additionally, the CNP and the DAS (Administrative Security Department), with U.S. assistance, seized in 1999 and 2000 more than 21 million of counterfeit U.S. dollars, most of which were destined to drug trafficking groups.

In Operation New Generation, Colombian authorities, with the support of U.S. law enforcement, arrested 57 subjects and seized numerous assets, including large amounts of U.S. currency, and thousands of pages of documentary evidence. On September 22, 2000, the Colombian Fiscalia arrested a New York fugitive linked to approximately 50 kilograms of heroin seized in Ecuador, Argentina, Atlanta, and New York. The subject is believed to be the head of a heroin trafficking organization based in central Colombia. The United States has requested this subject's extradition to stand trial in federal district court in New York.

Although the U.S.-sponsored alternative development program began only in August 1999, it has already achieved important results. To date, 675 hectares of opium poppy have been eliminated in Tolima, 45 hectares of coca have been eliminated in Cauca, and 22 elimination agreements have been signed, 12 already resulting in illicit crop elimination. The most recent, signed on December 2 in Puerto Asis (Putumayo) with 539 small producer families, provides for voluntary elimination of approximately 916 hectares of coca.

Cooperation between and among the various branches of the Colombian armed forces and the police continued to improve. The armed forces conducted unilateral and joint counternarcotics operations with the police, deploying in areas where police face a significant guerrilla threat. The Air Force, Army, Navy, and Marines coordinated with the DIRAN in several joint counternarcotics operations in which they destroyed drug labs, confiscated narcotics and arrested individuals involved. In addition, the Colombian police and army have participated in intensive joint training to prepare the army's new counternarcotics battalion, which will assist the DIRAN during counternarcotics operations in the coca growing regions, especially in the south. The police and army have also agreed to work together on tactical operations that involve the new battalion. Co-located with the battalion in Tres Esquinas, the Joint Intelligence Center (JIC) includes personnel from both forces.

The year 2000 saw significant development in maritime drug-interdiction operations. Continued application of the maritime agreement resulted in the capture of more than 50 tons of cocaine at sea, according to Colombian Navy sources. There was further improvement in the intelligence and communications exchange process. JIATF-East conducted operations with the Colombian Navy in both the Caribbean and Pacific, resulting in further improvement in communication links with Colombian Navy operations centers in Bogota, Bahia Malaga, and Cartagena. Conferences are scheduled in early 2001 to continue the improvement process and to share tactical interdiction lessons learned.

Agreements and Treaties. Colombia is a party to the 1988 UN Drug Convention and the GOC's National Anti-Narcotics Plan of 1998 meets the strategic plan requirements of the

Convention. Recent reforms have generally brought the government into line with the requirements of the Convention. In December 2000, Colombia signed the UN Convention Against Transnational Organized Crime and its Protocol to Prevent Trafficking in Persons.

Cultivation and Production. Coca and opium poppy remain the principal illicit crops grown in Colombia. In 1999, these crops were estimated to be 122,500 hectares and 7,500 hectares respectively. The United States Government estimates that in 2000 there were an estimated to be 136,200 hectares of coca under cultivation. At the time of publication, opium poppy cultivation totals for 2000 were not available. Coca, the predominant illicit crop, is grown mainly on the eastern plains in Guaviare and neighboring departments and along the Ecuadorian and Peruvian borders in the departments of Putumayo and Caqueta. Increasing amounts of coca are cultivated in the northern departments of Bolivar and Norte de Santander. Most opium is grown on the eastern slopes of the Central Cordillera Mountains in Tolima, Huila, and Cauca departments, with limited amounts in Norte de Santander, southern Bolivar, and Antioquia departments.

A recently completed USG study revealed that Colombian cocaine base laboratories operate at a significantly higher level of efficiency than those in Peru or Bolivia. This improved efficiency, combined with crop estimates and leaf yield figures, establishes the estimate of cocaine production in Colombia at 580 mt for CY 2000. Larger and ever more complex cocaine HCl laboratories are replacing the less sophisticated labs previously encountered. HCl laboratories can be found in all regions of the country, but are largely located in the plains and jungle regions, near the coca-growing zones under de facto guerrilla/paramilitary control. Numerous laboratories have been identified in extremely remote areas that are difficult to reach even by helicopter.

Colombia's heroin production in 1999 was estimated at nearly 8 metric tons, assuming a harvest of ten kilograms of opium gum from one hectare of opium poppy and conversion of ten kilograms of opium gum into one kilogram of heroin. These figures are based on traditional conversion calculations established for Southwest and Southeast Asia. These figures could be revised based on the results of a U.S. study expected to be completed in 2001. Opium gum estimates for 2000 were not available at the time of publication.

Colombia accounts for an estimated two percent of the world's opium poppy. Nearly all of the resulting heroin, however, is destined for the United States. Heroin production in clandestine laboratories in Colombia appears to be limited based on the size of the laboratories seized.

Minor marijuana cultivation remained in 2000, but was not significant.

Drug Flow/Transit. Colombia is the center of the international cocaine trade, with drugs flowing out of the country at a stable and constant rate. In addition to producing large quantities of cocaine base domestically, Colombian traffickers import cocaine base, by air and by river, from Peru and, to a lesser extent, from Bolivia. The base is converted into cocaine HCl at clandestine laboratories.

Colombia's coastal regions, which extend from Panama to Venezuela in the north and from Panama to Ecuador in the west, continue to flourish as major transshipment points for bulk maritime shipments of cocaine and marijuana. The vast majority of the drugs shipped from the coastal regions originate from production areas in the south central portion of the country as well as other less prolific growing areas in the northern third of Colombia. Most of the shipments are organized by the well-established trafficking organizations based in Cali, Medellin, Bogota and other cities throughout the country.

Fishing vessels transport large quantities of narcotics from Colombia to Mexico and/or other countries while en route to the United States to both the Atlantic and Pacific regions. They are often loaded/off loaded by go-fast boats operating from secluded coastal areas that rendezvous with the fishing vessels at sea. Fishing vessels have proven themselves to be well suited for smuggling operations as they have the ability to remain at sea for long periods, transit vast distances, draw minimal attention and hide among the vast numbers of legitimate fishing vessels.

Go-fast boats transport drugs directly from Colombia to other neighboring countries and Caribbean islands. They hug the coastline as they move north to secluded off-loading sites, or transit directly to neighboring Caribbean islands which serve as transshipment points. Some trafficking organizations use refueling ships that re-supply the go-fast boats on the high seas, extending their range in the Pacific Ocean.

Commercial cargo ships also transport drugs from Colombia directly to the United States and Europe. The drugs are often hidden in containerized cargo, bulk cargo, or hidden compartments built into the

ship, and are loaded/off-loaded both in port and by the use of go-fast boats while at sea.

The recent seizure of a partially constructed, 100-foot submarine outside the city of Bogota reflects the versatility and financial resources of Colombian drug traffickers. Had it been completed, this submarine would have been capable of transporting up to ten metric tons of cocaine to the United States, about five percent of annual U.S. demand, while remaining at snorkel depth the entire trip. With an estimated total cost of 20 million dollars, this incident again demonstrates trafficker resources and ingenuity. Colombian cocaine trafficking groups generate billions of dollars in revenues each year, resources that increasingly have been used to purchase the best talent and technology available on the world market. While smaller semi-submersible vessels have been seized in the past, drug law enforcement officials do not believe that "drug submarines" are likely to become a significant threat or a common mode used to transport drugs.

Approximately 85 percent of the heroin seized by federal authorities in the northeastern United States is of Colombian origin, the majority of which is produced in Colombia and exported through the international airports in Bogota, Medellin, Cali, and, to a lesser extent, Barranquilla. The DEA believes that most of the heroin destined for the United States is transported from Colombia via couriers (or "mules") on commercial airlines. Currently, transportation routes generally include a stopover in intermediary countries in Central America, the Caribbean, and/or Mexico. The shipment is then transferred to a different mule, who then completes the delivery into the United States. Heroin seizures made by the Colombian National Police, with USG training and assistance, at Bogota El Dorado International Airport during the fourth quarter of 2000 indicate heroin shipments were primarily destined for the United States.

Domestic Programs. The National Directorate of Dangerous Drugs (DNE) develops overall drug policy in Colombia, while a new program within the Colombian Presidency, RUMBOS, manages prevention and demand reduction programs.

RUMBOS was created in 1998 as a response to the growing problem of drug use in Colombia, especially among young males, ages 12-17, in well-populated and economically developed areas such as the coffee producing region and cities such as Bogota, Medellin, and Cali. It works with other agencies to ensure that adequate treatment centers are available and presides over a demand reduction program in which 18 governmental and nongovernmental organizations participate. It also lends assistance to the regions and municipalities to help them create local prevention and treatment programs, with 27 of Colombia's 32 departments now receiving assistance.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S. continues to place its focus on institution building, especially within the law enforcement and judicial systems.

Bilateral Cooperation. USAID coordinates the USG's justice sector reform program in cooperation with the Department of Justice (OPDAT and ICITAP). Its programs will expand under Plan Colombia. They will focus on strengthening the effectiveness, transparency, and fairness of the Colombian criminal justice system. They will also increase citizen access to justice, primarily by promoting the transition to an accusatory system and establishing Casas de Justicia (Justice Houses). These will promote alternative dispute resolution mechanisms in marginalized communities, protecting defendants' rights, and facilitating cooperation among GOC judicial institutions and civil society. The first oral trial courtroom was recently established and 12 more are planned. Twelve Casas de Justicia have been established since 1995 (two in 2000) and there are plans to establish 28 more.

USAID has also expanded its ongoing human rights program to support key governmental and non-governmental organizations. A Human Rights Observatory and communications strategy have been established in the Office of the Vice President. USAID is supporting human rights training for the Human Rights Units of the Prosecutor General and Attorney General's offices; the development of a law on fundamental human rights and citizen duties; and programs to disseminate human rights information to regions and municipalities. An Early Warning System will be established in the Ombudsman's Office that will both alert authorities to possible violations and ensure rapid and effective response to communities under threat (e.g., massacres, forced displacement). USAID is expanding its support to human rights NGOs.

Training elements of the Department of Justice (OPDAT and ICITAP) have provided training in the U.S. to about 400 prosecutors and investigators in money laundering, human rights, anticorruption, and antinarcotics issues. This training, which will increase under Plan Colombia, establishes the

mechanisms for bilateral evidence exchange and law enforcement relationships.

As a result of the U.S.-sponsored Port Security Program, a public-private partnership in which specially trained narcotics police carry out inspection and interdiction operations, the port authorities have seized more than 31 metric tons of cocaine and 60 of marijuana since late 1998, all at very little cost to the USG. The traffickers have responded by making elaborate and costly efforts to disguise cocaine inside machinery, bribe officials, and avoid the commercial ports by using "go-fast" boats or shipping via Ecuador and Venezuela.

The regular appropriation for the Narcotics Affairs Section (NAS) of the U.S. Embassy in Bogota was \$53 million, with the largest sums going to support DIRAN air operations (\$16.7 million) and the crop eradication program (\$6 million). The DIRAN air service consists of 54 helicopters and 19 fixed wing aircraft. The USG-funded private contractor that provides support to the DIRAN's eradication program operates an additional 15 helicopters, ten spray planes, and three support planes.

In addition, the U.S. provided \$96 million in 1999 and 2000 for the acquisition of six Black Hawk helicopters to enhance the DIRAN's counternarcotics capacity. Three were delivered in 1999 and three in 2000. The pilots and technicians for these new helicopters were trained in the United States. The USG is also upgrading the DIRAN's Huey helicopter fleet. The first nine of 15 upgrades scheduled for 2000 have been completed and the remaining six are scheduled for completion by the end of January 2001. With funds appropriated under the Plan Colombia emergency supplemental legislation, the U.S. will purchase nine additional spray aircraft for the CNP.

The U.S. also provided 21 UH-1N helicopters to the Colombian Army to support the new counternarcotics brigade, with 12 additional UH-1Ns due to arrive in January 2001. After a year of intensive training, helicopter operations began in December with full operational capability. Finally, in late January 2001, the CNP is scheduled to receive two C-26 reconnaissance aircraft.

The Road Ahead. The GOC's "Plan Colombia" recognizes the interrelated nature of Colombia's counternarcotics efforts and its peace process. In 2001, the foremost obstacles to curbing narcotics trafficking in Colombia will continue to be the guerrillas and paramilitaries, who depend heavily on substantial drug revenues to support their organizations. These armed groups, particularly the guerrillas, violently oppose police eradication operations and CNP/military interdiction efforts, as reflected by the "armed halt" of all activities in Putumayo called by the FARC in September. Nevertheless, PLANTE recently signed a voluntary elimination agreement in Putumayo. Colombian authorities anticipate that, over a two-year period, 8,700 small coca producers in Putumayo and their families will commit to voluntarily elimination of 20,000 hectares of coca.

The USG will continue working with the GOC to solidify reforms in the DIRAN and support Colombia's efforts to sustain and to improve the capability and efficiency of the judicial system, which remains one of the weakest links in the counternarcotics chain.

The Colombian military's counternarcotics role will broaden in 2001, as the army's counternarcotics battalions join to become the counternarcotics brigade. The U.S. will provide ongoing training and support for the brigade in 2001.

The aerial eradication program will also expand in 2001. The DIRAN, with U.S. support, plans to establish two bases for spray and escort aircraft. The DIRAN also plans to complete the organization, training, and equipping of two more airmobile interdiction companies and establish an Antinarcotics Training Center. The goals for aerial eradication in 2001 are 100,000 hectares of coca and 10,000 hectares of poppy.

Colombia Statistics (1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Coca									
Potential Harvest (ha)	136,200	122,500	101,800	79,500	67,200	50,900	44,700	39,700	37,100

Eradication (ha)	47,000	43,246	—	19,000	5,600	8,750	4,910	793	959
Estimated Cultivation (ha)	183,200	—	—	98,500	72,800	59,650	49,610	40,493	38,059
HCl: Potential(1) (mt)	580	520	435	350	300	230	70	65	60
Opium									
Potential Harvest (ha)	—	7,500	6,100	6,600	6,300	6,540	20,000	20,000	20,000
Eradication (ha)	9,254	—	—	6,972	6,028	3,760	3,906	9,821	12,858
Estimated Cultivation (ha)	—	—	—	13,572	12,328	10,300	23,906	29,821	32,858
Cannabis(2)									
Potential Harvest (ha)	5,000	5,000	5,000	5,000	5,000	4,980	4,986	5,000	2,000
Eradication (ha)	—	—	—	—	—	20	14	50	49
Estimated Cultivation (ha)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,050	2,049
Potential Yield (mt)	4,150	4,150	4,150	4,150	4,150	4,133	4,138	4,125	1,650
Seizures(3)									
Heroin/Morphine (mt)	0.572	0.504	0.317	0.261	0.183	0.419	0.181	0.261	0.05
Opium (mt)	—	0.183	0.100	0.120	0.036	0.078	0.128	0.261	0.43
Cannabis (mt)	46	65	69	136	235	166	2000	549	206
Base/Basuco (mt)	—	9.00	29.30	10.00	17.50	19.50	32.00	10.40	5.81
Cocaine HCl(4) (mt)	69.00	22.73	54.70	34.00	23.50	21.50	30.00	21.76	31.92
Total HCl/Base (mt)	69.00	31.73	84.00	44.00	41.00	41.00	62.00	32.16	37.73

Total Arrests	8,600	—	1,961	1,546	1,561	1,745	2,154	2,562	1,700
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(1) Newly acquired data from field surveys has resulted in revised leaf yield and HCl production estimates from 1995 on.

(2) Reported cannabis cultivation has not been confirmed by USG survey.

(3) Seizure data show combined CNP and military figures. (4) Includes 24 metric tons of cocaine seized in maritime operations.

Ecuador

I. Summary

Ecuador continues to be a major transit area for drugs and precursor chemicals. Traffickers exploit Ecuador's porous borders with Colombia and Peru to consolidate smuggled cocaine and heroin into larger loads for bulk shipment to the U.S. and Europe hidden in containers of legitimate cargo. Ecuador continued to struggle with economic and political crises, including political turmoil in January 2000 which led to the ouster of the elected president and his replacement by his constitutional successor. Also in 2000, Ecuador became the first South American country to adopt the U.S. dollar as its national currency. The Ecuadorian congress enacted a new criminal justice procedural code which will fundamentally change its legal system from an inquisitorial to an accusatory-style one. The Ecuadorian National Police (ENP) seized more than three tons of cocaine and coca base, 109 kilograms of heroin, and 18 tons of marijuana. The ENP established a unified antidrug division to strengthen the management of drug law enforcement. A solid example of the close cooperation of the Government of Ecuador (GOE) with the USG in the fight against narcotics trafficking was the signing in November 1999 of a ten-year agreement permitting the U.S. to operate aerial counterdrug detection and monitoring missions from an Ecuadorian Air Force base in Manta. However, Ecuador's depressed economy and poor police/military coordination continue to hamper counterdrug efforts.

Ecuador is a party to and has enacted legislation to implement the provisions of the 1988 UN Drug Convention.

II. Status Of Country

Ecuador is one of the primary transit routes for cocaine and heroin from Colombia and Peru. The country serves as a major staging area for the transit of smuggled cocaine and heroin, which is hidden in bulk quantities in containers of legitimate cargo and shipped to the U.S. and Europe. Some small fields of poppies and coca have been found within Ecuador, which have been manually eradicated by the Ecuadorian Army and the Ecuadorian National Police. In addition, several small cocaine processing laboratories have been discovered and dismantled by the police. Ecuador's northern border area with Colombia is a major transit area for drugs, chemicals, arms and munitions. Due in part to increased insurgent/paramilitary violence across the border, Ecuador is facing a worsening security problem. The USG is working closely with the GOE to strengthen military and police control over the northern border region.

Cocaine is smuggled into Ecuador primarily by truck in large shipments of legitimate products via the Pan American Highway from Colombia and then loaded into export shipments in the seaports of Guayaquil, Manta and Machala. Coca base is also smuggled into Ecuador from Peru and Colombia. Outbound cocaine shipments are hidden in compartments in ocean-going vessels or concealed within containerized perishable (seafood, bananas, flowers) or bulk cargo. Heroin and cocaine are also frequently smuggled in passenger suitcases or by body carriers boarding international flights at the Quito and Guayaquil airports. A recent trend has been the increase in smuggling of coca base by trucks that cross into Ecuador's Sucumbios Province from Colombia's Putumayo Department and then return to Colombia on the Pan-American Highway, where it is refined into cocaine hydrochloride (HCl).

Ecuador is gradually recovering from a severe financial and economic crisis, with most of its major banks collapsing and requiring government intervention. The Ecuadorian government now controls about 75 percent of the country's banking sector. In 2000, Ecuador became the first South American country to adopt the U.S. dollar as its national currency. This measure was intended to stop the high inflation and depreciation of the currency which had paralyzed the economy. However, dollarization may also make Ecuador a more attractive site for money laundering and other financial criminal activity. Some narcotics profits from Colombia may have been invested in Ecuadorian real estate and businesses. Drug money laundering is illegal under the 1990 narcotics law. However, the Ecuadorian government presently has no effective means to investigate or prosecute such crimes.

III. Country Actions Against Drugs in 2000

In compliance with the 1988 UN Drug Convention, the GOE has passed legislation criminalizing the production, transport, and sale of controlled narcotic substances; the import, transport and/or use of

essential chemicals without the written permission of the Ecuadorian National Drug Council (CONSEP); any attempt to conceal the profits from narcotics trafficking activities; the intimidation or corruption of judicial and public authorities for drug crimes; and illegal association related to drug trafficking and profiteering.

Policy Initiatives. The administration of President Gustavo Noboa, who succeeded President Mahuad on January 21, 2000, has made significant progress in strengthening bilateral counternarcotics cooperation with the U.S. CONSEP published a new national drug strategy in 1999, which clearly details the roles and responsibilities of GOE agencies, including the armed forces, in combating drug trafficking and consumption. During 2000, CONSEP continued to work on drafting reforms to the organic drug law. The GOE and USG also began negotiations on new initiatives to strengthen law enforcement, security and economic development on the northern border.

The Ecuadorian National Police (ENP) has primary responsibility for narcotics law enforcement in Ecuador. To strengthen the management of counternarcotics efforts, the ENP established a unified antidrug division in 1999. This new division has consolidated the various specialized police units (such as the provincial drug investigative offices, the mobile road interdiction group, the canine teams at airports and seaports, and various counterdrug intelligence units) into a single coherent organization. The police maritime cargo information coordination center (SIPA) in Guayaquil began operations. The ENP has established data communication links between SIPA, the Ecuadorian customs service, and the ENP antidrug division's intelligence center in Quito. With USG assistance, the ENP plans to establish new cargo inspection units at the major seaports of Manta and Machala, which will provide additional intelligence input into the SIPA.

In an effort to clean up the widespread corruption in Ecuador's customs service, the Ecuadorian military took it over in 1997. The GOE then privatized the customs service in May 1999. The new managers of Ecuadorian customs come from the private sector and have greatly streamlined cargo clearance procedures. Customs has also been increasingly cooperative with the ENP in exchanging information on inbound and outbound shipments. The U.S. Embassy, through the Narcotics Affairs Section (NAS), has established a U.S. Customs advisor position to provide technical assistance to the ENP and the customs service to strengthen control over the ports.

Due to Ecuador's severe economic crisis, the Superintendency of Banks has focussed its attention on the collapsing banking sector. Consequently, almost no investigations of money laundering were conducted in Ecuador during 2000.

In January 2000, the Ecuadorian government enacted a new criminal procedural code, which is intended to fundamentally change the country's criminal justice system from an inquisitorial to an accusatorial-style system. The new code, which will enter into force in July 2001, empowers the prosecutors (fiscalia) to investigate and prosecute crimes, and alters the role of judges to neutral arbiters presiding over oral trials. The ENP, fiscalia and judiciary have received USG training to help them assume their new roles in the accusatory criminal justice system.

Accomplishments. The GOE demonstrated its strong commitment to bilateral counterdrug cooperation with the USG by signing a ten-year agreement to permit U.S. aircraft to use Manta as a forward operating location (FOL) in November 1999. This agreement will permit Ecuador and the U.S. to work even closer in the detection and monitoring of clandestine aircraft transporting narcotics to Central America, Mexico and the Caribbean. The ENP had an outstanding year in making drug seizures and arrests in 2000. The police seized more than 3.3 metric tons of cocaine and coca base, 109 kilograms of heroin, and over 18 tons of marijuana. The reasons for the excellent interdiction performance this year were better use of intelligence, aggressive leadership, and effective use of canine interdiction teams at Ecuador's seaports and airports.

The Ecuadorian military has taken actions to strengthen security along Ecuador's border with Colombia. Following the 1998 signing of a peace treaty with Peru, the Ecuadorian Army and Navy (Marines) have redeployed additional forces to the northern border. The Army has established new battalions in Sucumbios Province, bordering Colombia's Putumayo Department which is the site of large cultivations of coca. The Ecuadorian Navy has established new units patrolling the coastal waterways bordering Colombia's Narino Department, which is also an area of drug production and trafficking.

Despite some improvements, uneven military-police cooperation in Ecuador remains a serious problem. The Ecuadorian Navy controls the country's ports, but cooperation with the police varies

widely from port to port. Additional efforts must be taken in 2001 to increase the police presence in all major Ecuadorian seaports, particularly Manta and Machala.

Law Enforcement Efforts. In order to facilitate the working relationships of police and prosecutors under the new Ecuadorian criminal justice code, the ENP signed an agreement with the fiscalia in 1999. Under this agreement, the police and prosecutors have received joint training programs in criminal investigations and case management. The U.S. Department of Justice (OPDAT/ICITAP) has provided training courses to Ecuador to help prepare the police, judiciary, and fiscalia for their new roles under the new accusatory-style criminal justice system.

With U.S. Southern Command financial support, the ENP have completed construction of a highway inspection checkpoint at a strategic road junction in Baeza, east of Quito. The ENP is redeploying the NAS-supported mobile highway inspection unit (GEMA) to this location, which will assist the police in interdicting drugs, precursor chemicals, arms and munitions entering the Sucumbios/Putumayo border area with Colombia.

Corruption. The 1990 drug law (Law 108) contains a provision for prosecution of any government official, including a judge, who deliberately impedes the prosecution of anyone charged under that law.

As a matter of government policy, the GOE does not encourage or facilitate the illicit production or distribution of drugs, other controlled substances or the laundering of drug money. While narcotics-related corruption is a problem in Ecuador, in 2000 no senior Ecuadorian government official was identified as engaged in the production or distribution of drugs or in the laundering of illicit proceeds. However, in 2000 the U.S. Embassy had to terminate technical assistance to the fiscalia general (chief prosecutor's office) due to concerns of high-level corruption in cases involving politically powerful individuals accused of banking fraud and embezzlement.

Arrests and Prosecutions. Internationally, the USG and the GOE are working to strengthen law enforcement relationships, develop information sharing conduits, and bolster interdiction cooperation. Cooperation between the USG and GOE has resulted in several successful drug interdiction operations, the dismantling of trafficking organizations and the expulsion to the U.S. of third-country nationals indicted for narcotics trafficking crimes.

Agreements and Treaties. The extradition treaty between the USG and the GOE was signed in 1972 and supplemented in 1939. The Ecuadorian constitution prohibits the extradition of Ecuadorian nationals but Ecuador has cooperated with the USG to deport or extradite non-Ecuadorians. Although the USG and GOE have engaged in preliminary talks on revising the existing extradition treaty, the Ecuadorian bar on extradition of nationals is an obstacle to formal negotiations.

Ecuador is a party to the 1988 UN Drug Convention and has a narcotics law that incorporates the provisions of that treaty. In December 2000, Ecuador signed the UN Convention Against Transnational Organized Crime and its protocols.

The GOE is a strong supporter of regional cooperation and has signed bilateral counternarcotics agreements with the U.S., Colombia and Cuba, as well as the Summit of the Americas money laundering initiative, and the OAS/CICAD document on an antidrug hemispheric strategy. However, a bilateral maritime counterdrug agreement, first proposed in 1994, has received no attention from the GOE since early 1998.

In 1991, the GOE and the USG entered into an agreement on measures to prevent the diversion of chemical substances. In 1992, the two governments concluded an agreement to share information on currency transactions over \$10,000.

The GOE has made progress in a number of important areas covered by the 1988 UN Drug Convention and OAS-CICAD model legislation, including upgrading its interdiction efforts, focussing on reducing the diversion of essential chemicals, and beginning implementation of a program to reduce money laundering.

Cultivation/Production. The GOE continues to be vigilant about preventing illicit drug cultivation and processing activities. There is no evidence of large scale, commercial coca or opium poppy cultivation in Ecuador. However, there is concern that coca cultivation could expand over the border into Ecuador as a result of Colombian government eradication efforts in Putumayo Department. The ENP has discovered and dismantled several small

Total Cocaine Products (mt)	3.3	10.140	11.460	3.765	10.330	4.650	2.378	1.374	4.255
Cannabis (mt)	18.263	3.030	17.730	0.022	0.200	0.200	0.131	0.183	0.631
Heroin (mt)	0.109	0.081	0.053	0.034	0.070	0.053	0.024	0.027	0.003
Labs Destroyed									
Cocaine	0	2	2	0	1	0	0	0	0
Arrests/Detentions									
Nationals	2,600	3,500	3,596	3,346	2,075	1,858	2,872	2,775	1,810
Foreigners	425	250	292	346	204	2,214	201	213	165
Total Arrests	3,025	3,750	3,888	3,692	2,279	4,072	3,073	2,988	1,975

Paraguay

I. Summary

The Government of Paraguay's (GOP) antidrug cooperation with the USG and other regional governments improved in 2000. Paraguay remains a transit country for approximately ten metric tons of largely Bolivian cocaine annually, as well as a source country for high-quality marijuana that is not trafficked to the United States. Paraguay is a large money-laundering center in Latin America, but it remains unclear how much may be drug-related. The GOP named a new head of the antidrug secretariat (SENAD) and its police unit (DINAR) who re-energized the GOP's antidrug efforts. SENAD formed a new unit to investigate major traffickers and their organizations, which led to the arrest of four major traffickers and the destruction of an aircraft ferrying cocaine to Brazil. Cocaine seizures remained stable at 1999 levels.

The Senate is considering a complete modernization of Paraguay's existing drug law, which includes long-sought authorities for police to use informants, and conduct undercover operations and controlled deliveries. While the GOP provided the Anti-Money Laundering Secretariat (SEPRELAD) with its first independent budget, no arrests or prosecutions of money launderers were made. The GOP also made little progress against official corruption and has not made progress in developing an effective antidrug and organized crime investigative and operational capability for the border areas. Paraguay enhanced its cooperation with its neighbors by signing agreements on judicial cooperation and information sharing, and by expelling a major trafficker to Brazil. While judicial cooperation remains weak, the Attorney General named special prosecutors with national jurisdiction to strengthen SENAD's counterdrug operations. Paraguay is a party to the 1988 UN Drug Convention.

II. Status of Country

Paraguay is a transit country for approximately ten metric tons of largely Bolivian and some Colombian cocaine annually, which is trafficked to Argentina, Brazil, the U.S., Europe, and Africa. No appreciable action has been taken by the GOP to effect controls over its lengthy and undeveloped land borders, extensive river network, numerous unpoliced airstrips (both registered and unregistered), and persistent official corruption that facilitate the cocaine trade.

Paraguay is also a large money-laundering center in Latin America. Although some Paraguayan officials believe that as much as 65 percent of money laundering may be generated from narcotics trafficking U.S. Government experts believe that 20 percent is a more accurate figure. This is the first year that the GOP has provided a budget to the Financial Analysis Unit (FAU) of SEPRELAD. While this gave

the FAU the ability to develop cases against money launderers, no arrests or prosecutions were effected this year. There are a number of reasons why there has been no implementation of the 1997 anti-money laundering legislation. The SEPRELAD council decides which of the Suspicious Activity Reports (SARs) received from financial institutions, and analyzed by the FAU, will go forward for prosecution. This year, of 5,500 SARs that were analyzed by the FAU, only one case (not related to narcotrafficking) was recommended by the SEPRELAD council for prosecution. Only ten percent of the financial institutions that are supposed to report suspicious transactions actually do so. Also, no SARs for transactions of less than \$10,000 were reported by these institutions. A cumbersome judicial process is largely responsible for consistently minimal success in the GOP's enforcement of its drug-related asset seizure and forfeiture laws.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Toward fulfillment of its commitments under the 1988 UN Drug Convention, the GOP took important steps in 2000 including: the naming of a new head of the counterdrug secretariat (SENAD) who has re-energized the GOP's antidrug efforts; the creation within SENAD of a Major Violators Unit which focuses solely on major drug traffickers and their organizations; the signing of agreements with Paraguay's neighbors on judicial cooperation and information sharing; the expulsion of two major traffickers to Brazil; the naming by the Attorney General of special prosecutors with national jurisdiction to strengthen SENAD's counterdrug operations; and the funding of SEPRELAD's FAU for the first time since its creation in 1997. In addition, the Senate is considering a complete modernization of Paraguay's existing drug law, which includes long-sought authority for police to use informants, and to conduct undercover operations and controlled deliveries. These authorities will be key to SENAD's ability to successfully investigate and prosecute major drug traffickers, and to sustaining the accomplishments made in 2000 against trafficking organizations in Paraguay.

Accomplishments. The most significant counternarcotics achievements in 2000 were the arrest of Miguel Angel Arguello, a lieutenant in the Odumodu trafficking organization, the arrest of Colombian cocaine trafficker Julian Gutierrez Quiroga, and the arrest and expulsion to Brazil of fugitives Marcel Da Silva-Leandro and Jaime Amato Filho to face justice in that country. The arrests came as a result of the increased investigative focus of SENAD on the activities of the major cocaine trafficking organizations, and improved counternarcotics cooperation with its neighbors, such as Brazil.

Law Enforcement Efforts. The GOP provided counternarcotics cooperation to Drug Enforcement Administration (DEA) investigations and began to develop its capacity to carry out its own investigations with the creation of a Major Violators Unit (MVU) within SENAD. Those efforts resulted in the destruction of over 200 kilos of cocaine in a single incident in September, when SENAD agents engaged in a shoot-out with drug traffickers attempting to unload cocaine at a remote landing strip in the Chaco. SENAD destroyed 51,081 kilos of marijuana, seized 97 kilos of cocaine, arrested numerous low-level cocaine traffickers, and destroyed 580 hectares of marijuana fields. Asset seizures, an untested frontier for Paraguayan justice, were minimal.

Corruption. While the GOP recognizes corruption as a public policy challenge, it has not taken sufficient measures to prevent or punish public corruption in general, or specifically with respect to narcotrafficking. The USG remains concerned that reportedly corrupt police officials remain in key posts and are in positions to give protection to, or compromise law enforcement actions against narcotics traffickers.

Law 1340 of 1988 subjects public officials who engage in narcotics-related offenses to the maximum applicable penalties. While no current public officials were tried under this law in 2000, in October, former SENAD chief Jose Tomas Centurion was sentenced to seven years in prison for corruption during his tenure at the helm of the counternarcotics agency.

Judicial corruption was suspected in the release, for the second time in two years, of cocaine trafficker Nestor Baez, who was arrested for possession of 36 kilos of cocaine in 1998. In January 2000, at the beginning of the annual judicial recess, Baez was released from jail in a procedure fraught with irregularities. Despite extensive press coverage of the questionable judicial action by both the judge and the prosecutor, neither official was disciplined by the court. In August, SENAD legal advisor Cesar Nunez was fired on credible allegations of having had improper contact with Baez.

Agreements and Treaties. Paraguay is a party to the 1988 UN Drug Convention, as well

as the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. It has ratified the OAS Convention on Corruption, signed the OAS/CICAD Hemispheric Drug Strategy, and agreed to the Declaration of Principles and plan of action adopted at the Summit of the Americas and at the 1995 money laundering ministerial. It entered into a bilateral assistance agreement with the United States in 1987, which was extended in 2000, meeting the requirements of the Chile and Leahy amendments. Paraguay ratified a bilateral extradition treaty with the United States, including the extradition of nationals, in 1999. The U.S. Senate approved the treaty in October 2000. The treaty will enter into force upon the exchange of instruments of ratification. Paraguay has entered into tripartite law enforcement agreements with Argentina and Brazil, and with Argentina and Bolivia, and has similar bilateral agreements with Argentina, Brazil, Chile, and Venezuela. In December 2000, Paraguay signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation and Production. Cannabis is the only illicit crop cultivated in Paraguay, and is harvested throughout the year. The GOP reports that approximately 2,500 hectares are under cultivation. According to SENAD, marijuana production is up in Paraguay over previous years, and has spread from the traditional growing areas in San Pedro and Amambay provinces to the neighboring provinces of Canindeyu and Caaguazu. Minor quantities of cocaine are reportedly processed in Pedro Juan Caballero and Ciudad del Este on the Brazilian border.

Drug Flow/Transit. Although it is difficult to say precisely how much cocaine is transiting Paraguay, USG law enforcement officials estimate that approximately 10 metric tons of mostly Bolivian cocaine transit Paraguay annually. Colombian and Peruvian cocaine is also penetrating Paraguay.

Demand Reduction Programs. SENAD has the chief coordinating role under the National Program Against Drug Abuse, and works with the Ministries of Health and Education, as well as with local non-governmental organizations. Paraguay has a relatively small but growing substance abuse problem. Esmelda Acosta, the head of SENAD's Office of Demand Reduction, has a small staff and limited budget, but is doing a tremendous amount of outreach work, particularly in the schools, to address the small but growing substance abuse problem in Paraguay.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. USG priorities are to disrupt narcotics trafficking through the training and equipping of an effective investigative and interdiction capability, to combat money laundering through effective implementation of the law criminalizing such activity, and to decrease public corruption. The GOP must remove the perception of guarantees of political protection or a free ticket out of jail if major drug traffickers or money launderers are arrested. To accomplish these goals, the USG will support the GOP's efforts to develop an effective antidrug and organized crime investigative and operational capability for the border areas; to pass legislation authorizing the use of informants, controlled deliveries and undercover operations, and criminalizing drug-related conspiracy; to strengthen democratic institutions, especially those connected to law enforcement; to facilitate international law enforcement cooperation through entry into force of a new bilateral extradition treaty; and to increase public awareness of the threat narcotics pose to Paraguayan society and democracy.

DEA provided two major training courses for SENAD special agents, and continued to work with SENAD, providing guidance on operations and investigations. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) continued to support the detector dog program and sent three members of the SENAD canine unit and their dogs to Bolivia to participate in advanced training. INL also provided equipment and training support to SENAD, including the donation of ten vehicles to be used on counternarcotics operations. INL provided money laundering investigation training and an integrated computer system to the SEPRELAD FAU, which allowed them to fully computerize the collection and analysis of suspicious financial activity reports. The U.S. Embassy's Public Diplomacy section sent three IVP grantees, funded by INL, to the United States to participate in counternarcotics journalism and international narcotics matters training programs.

The Office of Defense Cooperation (ODC) sent a military information support team to Paraguay to train GOP officials working in demand reduction efforts. The ODC also sent officers and special agents to a Counterdrug Operations course conducted at the School of the Americas and to a U.S. Southern Command (USSOUTHCOM)-sponsored United Counterdrug Conference on chemical

control information sharing.

The Road Ahead. The GOP needs to consolidate its beginnings of success against narcotrafficking and use that momentum to get tough on money launderers and corrupt public officials. To do that, the GOP must continue to pursue investigations against major cocaine traffickers, make significant drug seizures and arrests, carry out successful prosecutions, prevent the release of arrested drug traffickers by corrupt judges and prosecutors, and implement the anti-money laundering law and provisions of the antidrug law aimed at punishing and preventing official corruption.

During 2001 the USG will continue strengthening SENAD'S antinarcotics, Major Violators and Financial Investigation Units, as well as SEPRELAD's Financial Analysis Unit, through training, technical assistance, equipment donations, and operational support. The USG will also work with the executive and legislative branches on passage of tougher antinarcotics law enforcement legislation that explicitly authorizes police to use informants, and to conduct controlled deliveries and undercover operations. ODC is working on procuring immediate USSOUTHCOM support for counterdrug training deployments for the SENAD and an increase in education training funds to send more military and SENAD officers to the Counterdrug Operations course.

Peru

I. Summary

Despite the political turbulence in Peru during 2000, the Government of Peru (GOP) made progress on all major components of its counternarcotics program. Political unrest and instability reached a peak with the ousting of the de facto director of the National Intelligence Service Vladimiro Montesinos, and with President Fujimori's resignation on November 20. The interim Peruvian government revealed evidence of corruption in the outgoing government and made sweeping changes in the military, police and intelligence organizations. Despite these dramatic changes, there was a reduction in the total amount of coca cultivated in Peru. Interdiction to disrupt the activities of narcotics traffickers resulted in the arrest of principals in major drug trafficking organizations, and the destruction of cocaine processing labs. There was one major seizure of cocaine hydrochloride (HCl) and one interception of a smuggling aircraft during the year. Private shipping companies are making progress in their ability to monitor sea cargo container shipments. Major challenges remain to strengthen police forces to better cope with riverine, overland and maritime smuggling channels and to improve financial investigative units.

Over 6,200 hectares of coca were eradicated manually, which contributed to the overall 70 percent reduction in coca cultivation over the past six years. Eradication efforts were suspended at various times during the year: during the presidential campaign, when police security was unavailable, during a period of negotiations with the GOP over the operation of U.S. owned UH-1H helicopters, and finally after violent demonstrations against eradication by coca-growing communities. Notwithstanding the turmoil, the transition government has restated its commitment to the reduction of coca cultivation. There was a significant increase in the number of opium poppy fields discovered and destroyed by the GOP during 2000; however, information on the extent of opium poppy cultivation throughout Peru remained scarce.

The counternarcotics alternative development program achieved significant results, increasing the gross value of licit agricultural production to \$64.6 million in targeted areas. This exceeds the gross value of coca leaf production in the same areas by ten percent, and marks a notable decline in the illicit economy based on coca. Alternative development has also assisted in raising the percentage of coca area households with access to basic services from 16 percent to 49 percent.

Peru is a party to the 1988 UN Drug Convention, and has signed counternarcotics cooperation agreements with most of its regional neighbors.

II. Status of Country

The price of coca remained high during the year, reflecting trafficker success in transporting drugs from Peru to external markets, and returning to make additional purchases. The GOP continued to conduct interdiction activities. These initiatives became more effective once U.S.-owned helicopters became regularly available, after the successful conclusion of bilateral negotiations over their terms of operation. Despite rehabilitation of about 1,500 hectares of previously abandoned coca, there was a net decrease from 38,700 hectares in 1999 to 34,100 in 2000. This represents an overall reduction of area under cultivation of about 70 percent over the last six years.

Most eradication was in areas near Aguaytia and in the Upper Huallaga Valley. CORAH, the GOP coca eradication entity, began eradication in the intensively cultivated areas of Aucayaco and Tingo Maria in the Upper Huallaga Valley, but stopped in the face of coca farmer demonstrations. The GOP has stated its commitment to eradicate coca in the Monzon area of the Huallaga Valley in 2001. Toward that end, its negotiations with coca-growing communities have identified potential alternative development activities to offset negative effects on the local economy.

Traffickers have significantly increased the use of riverine transport, overland transport, and maritime shipment from Callao and other Peruvian ports to export large shipments of cocaine base and hydrochloride. Maritime transport of drugs increased in 2000, with a growing percentage of drugs destined for Europe. There is increasing evidence that traffickers are processing cocaine hydrochloride (HCl) at laboratories both west of the Andes, and near the borders with Brazil, Colombia, and Bolivia.

An increase in poppy cultivation is a growing cause for concern. So is the identification and seizure of a morphine-producing laboratory in Peru. Poppy cultivation is illegal, and the Peruvian National Police (PNP) take prompt action to destroy poppy cultivations. To illustrate: in 1999, only 55 kilograms of latex gum were seized and 34,000 plants discovered and eradicated; in 2000, the figures jumped to 710 kilograms of gum and a staggering 2.4 million plants. The national drug police, DINANDRO, recently made its first seizure of heroin and it appears that some Colombia-based cocaine traffickers are also trafficking in heroin. Colombian traffickers are providing small farmers with seeds from Colombian poppies, offering technical assistance and cash loans, and buying the resulting crop.

III. Country Actions Against Drugs in 2000

Policy Initiatives. During the latter half of 2000, the GOP initiated an ambitious effort to develop an effective 2001-2005 Counternarcotics Strategy, to replace the current (1994-2000) strategy. With Contradrogas, the GOP drug control agency, in the lead, the GOP has conducted meetings of GOP agencies, NGOs, and the international community. A basic strategy document should be ready for review and approval by the GOP in early 2001. Related to these efforts, DINANDRO developed a five-year source zone initiative in March 2000, focusing law enforcement and interdiction activities in the major coca-growing valleys.

In general, the GOP has been very active in regional and multilateral counternarcotics coordination efforts. In August 2000, Contradrogas took the initiative to organize an Andean regional alternative development conference in Lima. The concept was to begin to plan on a regional basis. Colombia hosted a follow-on conference to discuss a unified approach toward the U.S. on Andean trade preference issues. Contradrogas and the UNDCP jointly sponsored a workshop to discuss harmonization of money laundering legislation in the Andean Community.

Accomplishments. In 2000, CADA, the GOP's alternative development measuring and monitoring agency (a division of CORAH), completed its measurements of coca cultivation in the Aguaytia and Alto Huallaga areas. CADA's professional, computer-generated maps, coordinated with aerial estimates, have become the benchmark for coca cultivation estimates, and are relied upon by the European Union (EU) and other groups providing alternative development assistance to Peru. Although the cultivation of opium poppies is illegal in Peru, the GOP has not yet directed CADA to measure poppy cultivation.

Law Enforcement Efforts. In January 2000, DINANDRO arrested Adolfo Cachique Rivera (whose brothers, Segundo and Abelardo were arrested earlier), co-head of a major Peruvian cocaine base trafficking organization. His arrest effectively ended the illegal cocaine operations of this organization, which had exported multi-kilogram quantities of cocaine base to Brazil and Colombia for over nine years. Luis and Jose Aybar-Cancho, the heads of a major arms and drugs trafficking organization, were also arrested. Their dealings are alleged to have involved retired military officers. There were also allegations that the deal was facilitated by several high-ranking members of the GOP, which led to charges of corruption at the highest levels. This may have been one of many factors that contributed to the previous government's eventual downfall.

In terms of drug interdiction, the GOP cooperated with the DEA and Chilean authorities in the nine ton seizure of cocaine from a maritime shipment in the Chilean seaport of Arica. There were also two successful interceptions of trafficker aircraft by the Peruvian Air Force (FAP) during 2000. One of these interceptions highlighted significant interagency Peruvian cooperation between the air force and police, which forced the traffickers to burn their aircraft and sacrifice its drug payload. As a result of improved intelligence sharing and coordination between the police and air force, other attempts by

trafficker aircraft to enter Peru to retrieve cocaine shipments were aborted.

While the total amount of drugs seized in 2000 declined, the PNP destroyed several cocaine hydrochloride laboratories. The PNP Chemical Control Unit conducted over 1,000 regulatory and criminal investigations of suspected chemical companies in 2000, making 41 arrests, seizing over 158 metric tons of controlled precursor chemicals, and closing six chemical companies. GOP legislation passed in 1999 has enhanced the PNP's ability to regulate chemical companies, and increased the number of chemicals regulated; however, the law needs to be amended and strengthened to include criminal penalties for violators.

Regarding GOP efforts to interdict riverborne drug shipments, DINANDRO and the Peruvian Coast Guard have improved their coordination and operational capabilities with USG-donated equipment. However, for the program to be successful, they must develop and share intelligence, and cooperate in investigations with land, sea and air components. The effectiveness of the riverine program is thus far moderate, but there are clear indications that, as the program evolves, it will become an effective tool for interdiction and deterrence of narcotics movement along Peru's vast waterways. The USG-supported/Peruvian-operated Joint Peruvian Riverine Training Center (JPRTC) continues to train personnel and there is an initiative to make it a regional school.

With USG support, the GOP and private shipping companies are improving their abilities to monitor sea cargo container activities. Private shipping companies have been instrumental in providing the PNP with intelligence to support major ongoing investigations of Peruvian and other international trafficking organizations attempting to utilize sea cargo containers to transport multi-ton shipments of cocaine to the U.S., Mexico, and Europe. As Peruvian ports are privatized, the possibility of emulating Colombia's fee-supported port security program also increases. Airline personnel have been vital to the successes of Peruvian authorities, both PNP and Customs, in detecting the smuggling of cocaine by passengers exiting Peru to international destinations.

Corruption. The current administration of President Paniagua does not condone, encourage or facilitate drug trafficking. Although there is no firm evidence of a drug tie, former de facto intelligence chief Vladimiro Montesinos is alleged to have over \$70 million in Swiss bank accounts and there are as yet unproven but credible allegations of additional accounts in other countries. The Congress is investigating these allegations, and a corruption commission has been established. Numerous officials have been fired or retired in an effort to achieve honest and responsive government in the post-Fujimori era.

Agreements and Treaties. The GOP strongly supports the objectives of the 1991 USG-GOP counternarcotics bilateral framework agreement and the 1988 UN Drug Convention, to which Peru has been a party since 1992. Peru is also a party to the 1961 UN Single Convention, the 1972 protocol thereto, and the 1971 Convention on Psychotropic Substances. There is also a cash transaction information exchange agreement between the USG and Peru. Negotiations for a modernized U.S.-Peruvian extradition treaty have been under way since 1998 and the new Peruvian government has expressed a willingness to see these through to completion.

Peru is a party with other Andean nations to a 1996 chemical control agreement with the European Union. In addition, Peru has bilateral drug control agreements with several other Latin American countries; the most recent, with Brazil, was signed in November 1999. In December 2000, Peru signed the UN Convention Against Transnational Organized Crime and its protocols.

Drug Flow/Transit. During 2000, there was a significant increase in clandestine cocaine HCl processing laboratories along the coastal areas, particularly near Lima, where Peruvian seaports were used for multi-ton shipments of cocaine HCl to the U.S., Mexico and Europe.

Alternative Development Progress. In 2000, the GOP's USG-supported counternarcotics alternative development program continued to operate in six coca cultivation zones. Because the high price of coca leaf has encouraged rehabilitation of coca fields, sustainability will depend on coordination of alternative development with the disincentives of crop eradication and interdiction. The GOP alternative development program is aimed at strengthening local government, providing access to basic services and providing sustainable, licit economic opportunities. Micro- and small credit assistance are available, and the alternative development program has initiated emergency assistance to at-risk households in the Upper Huallaga to help as they transform from dependence on the illicit coca economy.

Coca									
Net Cultivation (ha)	34,100	38,700	51,000	68,800	94,400	115,300	108,600	108,800	129,100
Eradication (ha)	6,200	13,800	7,825	3,462	1,259	0	0	0	0
Cultivation (ha)	40,200	52,500	58,825	72,262	95,659	115,300	108,600	108,800	129,100
Leaf (Potential Harvest) (ha)	60,975	69,200	95,600	130,600	174,700	183,600	165,300	155,500	223,900
HCl (Potential) (mt)	154	175	240	325	435	460	435	410	550
Seizures									
Coca Leaf (mt)	55.0	164.3	132.9	146.8	99.1	33.4	25.2	—	25.0
Coca Paste (mt)	—	—	—	—	—	—	—	7.7	0.75
Cocaine HCl (mt)	2.70	3.59	1.70	2.30	1.01	7.65	0.10	0.47	0.23
Cocaine Base (mt)	9.01	6.65	19.70	8.80	18.68	15.00	10.60	5.3	6.7
Total Cocaine (mt)	11.70	10.24	21.40	11.10	19.69	22.65	10.70	5.77	6.93
Aircraft (items)	2	—	—	11	7	22	4	13	7

Uruguay

I. Summary

Uruguay is not a major drug producing or transshipment country. Nevertheless, the Government of Uruguay (GOU) supports efforts to combat drug trafficking and domestic drug consumption. In 2000, the Uruguayan National Police received authority to assist other GOU agencies in antinarcotics enforcement and drug seizures, and drug-related arrests increased dramatically during 2000. The GOU has taken measures to regulate financial activities, reducing the potential for money laundering. The Police Anti-Drug Directorate (DGRITD) established a Financial Investigations Unit (FIU) in order to present more complete evidence in narcotics-related prosecutions. Uruguay is a party to the 1988 UN Drug Convention.

II. Status of Country

Domestic drug consumption is relatively low, although some drug survey data suggests that consumption of marijuana and synthetic drugs, such as ecstasy and LSD, may be increasing. Uruguay is neither a major drug producing country nor a major drug transit country. Seizures of small quantities of drugs from persons traveling from Argentina and Brazil to Europe suggest that traffickers occasionally use Uruguay to "launder" the origin of shipments. The movement of maritime containers through the port of Montevideo remains an area of concern, as does effective implementation of precursor chemical controls.

As a regional financial center, Uruguay is susceptible to possible money laundering. Uruguay has historically attracted foreign monetary deposits due to its economic and political stability as well as liberal currency exchange and bank secrecy laws. Narcotics-related money laundering is illegal, and although Uruguay has bank secrecy laws, financial institutions must provide certain information upon the request of the Central Bank. Banks (including offshore banks), currency exchange houses and stockbrokers are required to report transactions of over \$10,000 to the Central Bank; however the Central Bank does not routinely review these records. The Organization of American States (OAS) and the USG provided the Central Bank with computers and software to maintain a database and analyze patterns of transactions, and training of database technicians is being scheduled.

III. Country Actions Against Drugs in 2000

Policy Initiatives. President Batlle has publicly expressed a favorable attitude toward legalization of drugs, however counternarcotics efforts remain a state priority (although funding levels are relatively low). The Anti-Drug Secretariat (SND) was set apart from the Deputy Chief of Staff in the Office of the Presidency and a SND General Secretary was created by presidential decree shortly before ex-President Sanguinetti left office. President Batlle returned authority for the SND to Deputy Chief of Staff Leonardo Costa on June 7 by presidential decree. The SND is responsible for coordinating GOU counternarcotics efforts and is developing a counternarcotics master plan.

Accomplishments. No evidence exists of any significant cultivation or production of illicit drugs in Uruguay. Although Uruguay is not a major transshipment country, seizures indicate that some drugs enter the country through Brazil and Argentina. The Uruguayan Coast Guard recently improved its computerized network and database in order to record persons and vessels passing through Uruguayan territorial waters.

The Uruguayan National Police were given jurisdiction for narcotics enforcement in 2000, an authority which formerly rested solely with the Police Anti-Drug Directorate (DGRTID). Police officials may now target local narcotics distributors and assist the DGRTID, which has limited personnel resources. To increase the effectiveness of this plan, DGRTID has begun training police officials in antinarcotics enforcement. DGRTID remains responsible for large-scale counternarcotics investigations and operations.

Antidrug legislation passed in October 1998 made narcotics-related money laundering a crime. The Central Bank requires banks (including offshore banks), currency exchange houses and stockbrokers to record transactions over \$10,000. It also requires all entities under its jurisdiction to report suspicious financial transactions to a financial information analysis unit, which is being created within the Superintendency of Intermediary Financial Institutions. Computers and software are being installed at the Central Bank to enable financial analysis to detect money laundering. Financial investigations, which are not routine and must be court ordered, have been effective in identifying appropriate accounts on some occasions.

Uruguayan judges have the authority to issue seizure orders, without prior notice, for possible asset confiscation or forfeiture. Vehicles and assets directly linked to narcotics activities have been confiscated, however cash and other assets less easily tied to narcotics activities are not usually seized. DGRTID has opened a financial investigations unit with the objective of presenting judges with more complete financial information to facilitate the seizure of a wide range of assets.

Uruguay is active in international antinarcotics efforts. Uruguay and other participants in the Southern Cone Working Group of the International Conference for Drug Control regularly exchange narcotics-related information. The GOU cooperates with the USG and Argentine and Brazilian officials in efforts to control cross-border movements of persons and drugs. The USG and GOU have an extradition treaty and a mutual legal assistance treaty (MLAT) in effect.

Law Enforcement Efforts. GOU antinarcotics enforcement efforts resulted in increased seizures and more successful prosecution of drug-related crimes in 2000 than in previous years. By November 2000, the quantity of marijuana seized had increased from 494 kilograms in 1999 to 804 kilograms in 2000; cocaine seizures had increased slightly (20 kilograms in 2000); and seizures of ecstasy and LSD had increased ten fold from 88 kilograms in 1999 to 881 kilograms in 2000. The participation of non-DGRTID police officers in antidrug efforts has contributed to better enforcement. DGRTID and Coast Guard effectiveness has also increased due to improved investigative procedures and equipment.

Drug arrests and convictions also increased dramatically during 2000, from 195/65 (arrests/convictions) in 1999 to 536/122 (arrests/convictions) in 2000. An increased focus on local traffickers and networks by ordinary police units may account in part for the increased number of arrests. Major traffickers and their organizations remain the principal concern of DGRTID investigations. Better coordination and cooperation between enforcement agencies and the judiciary along with an emphasis on case preparation is expected to improve the conviction rate.

Corruption. The "Ley Cristal" (Transparency Law), which entered into force in January 1999, criminalizes a broad range of potential abuses of power by government office holders, including the laundering of funds related to public corruption cases, and institutes financial disclosure requirements for high ranking GOU officials. The GOU does not encourage or facilitate drug production, trafficking or money laundering nor is there any evidence that senior GOU officials have done so. Public officials who know of a drug-related crime or incident and do nothing about it may be charged with a "crime of omission" under the Citizen Security Law.

Agreements and Treaties. The USG and GOU have cooperated on narcotics-related extraditions and have an extradition treaty, signed in 1973, which went into force in 1984. A Mutual Legal Assistance Treaty (MLAT), signed in 1991, which entered into force in April 1994, has also been effectively implemented. The Mutual Evaluation Mechanism (MEM) adopted by the Organization of American States Drug Control Commission (OAS/CICAD) in October 1999 is being implemented by the GOU. Uruguay is a party to the 1988 UN Drug Convention. In December 2000, Uruguay signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. There is no significant cultivation or production of illicit drugs in Uruguay.

Drug Flow/Transit. Uruguay is not a major drug-transit country. The porous border between northern Uruguay and Brazil is the major entry point for drugs destined for domestic use and/or international transshipment, principally to Europe. The large amount of containerized cargo passing through the port of Montevideo may be susceptible to narcotics shipments.

Demand Reduction. There are signs that low levels of drug consumption in Uruguay are slowly rising, and the National Anti-Drug Secretariat (SND) has coordinated demand reduction programs to counter this trend. Domestic efforts have included teacher training, public outreach and seminars and programs based in community centers and sports clubs. The Alliance for a Drug Free Uruguay directs an extensive media campaign, which has significantly increased public awareness of narcotics-related issues in the past few years.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. USG programs support GOU counternarcotics efforts, especially in the areas of money laundering controls, counternarcotics enforcement, and demand reduction.

Bilateral Cooperation. The USG and GOU cooperate on a wide range of law enforcement issues. USG funds provided through bilateral cooperation agreements have provided equipment and training to enhance GOU efforts to combat drug use and trafficking. GOU officials, private and public bankers, judges and prosecutors participated in a multi-agency money-laundering seminar presented in August 2000. The national drug awareness media campaign has also benefited from USG assistance.

The Road Ahead. Money laundering continues to be an area of concern, and will receive USG support. Training is being planned for the technicians who will run the

Central Bank database and analytical software programs for anti-money laundering monitoring. A seminar designed to support implementation of money laundering legislation will take place in 2001. Procurement of equipment, which will enhance DGRITID and Coast Guard investigative capabilities, is also being planned. Support of antidrug canine breeding and training programs will continue.

Venezuela

I. Summary

Venezuela is a significant transit route for illegal drugs destined for the U.S. and Europe (by some USG estimates, over 100 metric tons of cocaine transit Venezuela annually). The vast majority of this traffic consists of cocaine and heroin from neighboring Colombia. The Government of Venezuela (GOV) continued to combat narcotics trafficking and drug consumption in 2000, despite considerable change in the political system including a new constitution adopted in December 1999 that mandated the election of a new unicameral National Assembly. The GOV introduced new policy initiatives and enhanced law enforcement efforts to combat drug trafficking and related crime. Cooperation with U.S. law enforcement agencies was very good and one complex joint operation led to the seizure of 8.8 metric tons of cocaine, numerous arrests in Venezuela and the expulsion of two significant third-country narcotraffickers to the U.S. for trial. During the year, Venezuelan prosecutors took steps to fulfil their new responsibilities under the new penal code introduced in 1999. The National Antidrug Commission introduced new initiatives in 2000 to expand demand reduction programs, to increase Venezuelan participation in multilateral antidrug initiatives, and to improve eradication efforts aimed at small areas of coca and opium poppy cultivation that spill over into Venezuelan territory from Colombia.

The GOV continued to place a high priority on reducing corruption. Reorganizations in law enforcement agencies and the customs service led to large-scale dismissals of those suspected of involvement in corruption. However, new legislation to give police necessary tools to aid investigations was not adopted partly because the new National Assembly did not begin work until October 2000. The GOV continued to attempt to conduct aerial interdiction operations against drug smuggling aircraft unilaterally in 2000 but these actions were largely ineffective (although air transits through Venezuelan airspace by drug smugglers decreased significantly during the year).

Venezuela is a party to the 1988 UN Drug Convention.

II. Status of Country

Venezuela is located on a major route for illegal drugs produced in Colombia and destined for the U.S. and Europe. Most of the drugs are smuggled by land into Venezuela and then concealed in commercial cargo leaving major Venezuelan ports. Air passengers and cargo on commercial air carriers on the more than 25 flights a day to U.S. destinations are another means of drug transit. Small private aircraft and boats are also used to carry drugs through Venezuelan airspace or territorial waters to Caribbean transshipment points. During 2000, investigations uncovered evidence of increasing numbers of large-scale shipments of cocaine to Europe through Venezuela.

Drug trafficking organizations also use Venezuela as a location to divert essential and precursor chemicals used in the production of illegal drugs in drug source countries, and use Venezuela's modern financial, real estate and tourism sectors to launder drug profits. The GOV has introduced effective U.S.-style currency transaction reporting requirements for banks, but investigation and prosecution of money laundering is hampered by lack of legislation and effective police work.

Some spillover of Colombian coca and opium poppy cultivation has traditionally occurred along the Venezuelan border in sparsely populated areas. One small, mountainous area along the northern part of the border is used to grow opium poppy but heroin processing is carried out in Colombia and the problem has been limited to a cultivation area of under 50 hectares by continued aggressive eradication and expulsion activities by the Venezuelan military. During 2000, the GOV expressed growing concern about Colombian coca plantations on Venezuelan territory and the military initiated intensified manual eradication operations targeting these areas.

III. Country Actions Against Drugs

Policy Initiatives. During 2000, the National Antidrug Commission (CONACUID) continued to implement a four-year national strategic antidrug plan. CONACUID focussed on improving demand reduction efforts and police coordination. New legislative policy

initiatives were limited by the fact that the National Assembly mandated by the new constitution was elected in July and only began work in October. However, at the end of 2000 the National Assembly began consideration of the Chavez Administration's plan to create a single, national police force. The new force is designed to overcome problems of rivalry, inefficiency and corruption that have plagued existing law enforcement organizations. The Administration also prepared draft legislation to improve chemical precursor control and a separate law to strengthen currency transaction reporting requirements for consideration by the Assembly.

The GOV decision in 1999 to monitor and track on its own suspected drug smuggling aircraft using Venezuelan airspace on their way to or from drug deliveries in the Caribbean and to prohibit U.S. aircraft from carrying out such operations over Venezuela, led to many flights successfully evading detection. While the Venezuelan military continued to cooperate closely with U.S. forces with regard to information on suspect aircraft and launched their own aircraft, aerial interdiction efforts were largely unsuccessful. An apparent change in drug trafficking air operations, however, led to a major reduction in such flights through Venezuelan airspace in the second half of the year.

Accomplishments. In a major step forward for law enforcement cooperation in 2000, the National Guard branch of the Venezuelan Armed Forces jointly conducted an extremely complex operation with U.S. Customs, DEA and European law enforcement officials to break up a major Colombian narcotics smuggling ring operating in Venezuela. The organization had been responsible for several multi-ton loads of cocaine shipped in freighters to the U.S. and Europe. Following an intensive surveillance and monitoring operation with the full participation of the National Guard, 8.8 tons of cocaine were seized in different locations in eastern Venezuela in July and more than ten individuals of varying importance in the organization were arrested. Two third-country nationals who helped run the organization were expeditiously expelled to the U.S. for prosecution. The other individuals were brought to trial at the end of the year in Venezuelan courts.

Cooperation was also very good with the other major law enforcement body with responsibility for drug cases in Venezuela, the Technical Judicial Police (PTJ). In a wide variety of cases involving heroin smuggling, cocaine "mules," and use of air cargo shipments, the PTJ worked closely with DEA and significant seizures and a number of arrests resulted from these operations.

The GOV enhanced efforts to collect information to deter money laundering in 2000, working closely with banks and other financial institutions and in September introduced new regulations that further strengthened the already stringent currency transaction reporting based on U.S. reporting requirements. CONACUID initiated steps to implement the recommendations from a late-1999 evaluation of Venezuelan financial controls by the Caribbean Financial Action Task Force.

CONACUID also implemented nation-wide plans to improve domestic demand reduction programs including systematic efforts to collect data on illegal drug use patterns and work on centralized and regional drug treatment programs.

The GOV continued to be concerned about small coca and opium poppy plantations operated by Colombians just inside the Venezuelan border. Intensified manual eradication operations by the armed forces in 2000 kept this cultivation to very limited areas. In late 2000 CONACUID initiated a coordinated plan to measure and calibrate eradication programs to systematically counter this problem. CONACUID also continued to coordinate improved chemical precursor control mechanisms and Venezuela participated in operation "Seis fronteras" with six other South American countries. This operation, designed to improve regional cooperation to counter precursor chemical diversion, resulted in the seizure of 1,200 liters of the chemical acetone (used in the production of cocaine) and the arrest of two individuals for diversion in Venezuela.

Law Enforcement Efforts. Venezuelan law enforcement authorities seized approximately 15 metric tons of cocaine in 2000. This figure shows a trend of increased seizures over previous years and demonstrates continued commitment by Venezuelan law enforcement. The number of arrests of individuals for drug-related offenses dropped significantly in 2000 largely because of difficulties with the implementation process for the new penal code that continued throughout the year.

The amount of heroin seized increased in 2000 to 134 kilograms, from the previous year's figure of 40 kilograms. In one indication of increased cooperation, in 2000 DEA worked more than 60 drug cases with Venezuelan law enforcement authorities as compared to only 46 cases in 1999.

Venezuelan law enforcement authorities continued to focus drug interdiction efforts at border entry points, airports and seaports. In 2000, Operation Orinoco and other, smaller-scale investigations provided evidence of GOV interest in directing efforts at breaking up trafficking organizations operating in Venezuela. CONACUID played a leadership role as the coordinator of the national antidrug strategy and worked with law enforcement and the military to improve anti-money laundering efforts, chemical precursor control, and eradication of illegal drug cultivation. Law enforcement activities were hampered in 2000 by continued reorganizations and government-wide austerity measures introduced by the Chavez Administration as part of a move to redirect government spending to social welfare programs.

Although law enforcement agencies and the Ministry of Defense received adequate resources to carry out counternarcotics activities, operational budgets were extremely tight and U.S. law enforcement agencies assisted with operational funds for some activities.

Corruption. The Government of Venezuela does not as a matter of policy or practice encourage or facilitate drug trafficking or money laundering, nor are its senior officials proven to engage in, encourage, or facilitate such activities. In 2000, the Chavez Administration continued to focus on combating corruption in law enforcement and the judicial sector. In addition to police reorganization and large-scale dismissals, in late 2000 the GOV charged the head of the Customs authority with corruption (non-drug-related) and investigated and suspended numerous officials in that organization. Extensive investigations into port operations led to cases against numerous officials and extensive reorganization. In the judicial sector, investigations of corruption or misuse of office by judges continued and in 2000 another 200 judges were investigated. Almost 100 of these judges were suspended.

The Chavez Administration also took the positive step of reopening some drug-related investigations that had been stalled, including one case involving a particularly important drug-related money laundering operation on the border with Colombia which had seen extensive U.S. law enforcement cooperation. While none of the cases were successfully closed in 2000, law enforcement officials were encouraged by this action.

Agreements and Treaties. Venezuela is a party to the 1988 UN Drug Convention. Key bilateral agreements with the U.S. include a ship-boarding agreement from 1991, updated with a new protocol in 1997, a customs mutual legal assistance agreement, and an aerial hot pursuit arrangement (non-operative in 2000). In 1997, the U.S. and Venezuela signed a bilateral mutual legal assistance treaty (MLAT). Although ratified by the U.S., the MLAT was not acted on by the Venezuelan National Assembly in 2000 and accordingly has not yet entered into force. The U.S. and Venezuela are also parties to an outdated 1922 bilateral extradition treaty; unfortunately, Venezuela's 1999 constitution expressly prohibits the extradition of Venezuelan nationals. This provision hampers Venezuela's ability to develop effective extradition relations with the U.S. and other countries in the hemisphere, many of which are eliminating, rather than erecting, barriers to extradition.

Venezuela is an active participant in multilateral antidrug and anti-money laundering efforts. In November, Venezuela was elected Vice-President of OAS/CICAD (The Inter-American Drug Abuse Control Commission). Venezuela was a key participant in hemispheric efforts to develop a multilateral evaluation mechanism to improve antidrug cooperation. The GOV also participated in the Caribbean Financial Action Task Force and other anti-money laundering organizations. In December 2000, Venezuela signed the UN Convention Against Transnational Organized Crime and its protocols.

In 2000, Venezuela continued to expand contacts with its Caribbean neighbors and signed counternarcotics cooperation agreements with Trinidad and Tobago and Guyana and explored better cooperation with other Caribbean states. The GOV also expanded cooperation with Europe in the demand reduction area and the GOV signed an agreement with the European Union to establish an information-gathering center on drug consumption trends in Venezuela and in the region.

Drug Flow/Transit. Most illegal drugs smuggled through Venezuela are concealed in commercial air and sea cargo. The GOV continued to devote considerable effort to interdiction efforts in major ports and airports in 2000. U.S. Customs teams provided training and exchange programs in these areas with the National Guard in key entry and exit points during 2000 and most large seizures were made in these locations during the year. While cooperation with the military on counternarcotics issues continued throughout the year, the Chavez Administration cancelled some previously scheduled U.S. military counternarcotics training missions in mid-2000. In-country counternarcotics training missions had not

resumed by the end of the year.

Security was improved at Venezuela's major international airport and planning began for enhanced security upgrades at other airports with international departures.

An extremely successful USG program which involves the Venezuelan private sector in drug interdiction efforts is the U.S. Customs Service Business Anti-Smuggling Coalition (BASC) program. The program, which seeks to increase the effectiveness of law enforcement officers in their efforts to deter narcotics smuggling in commercial cargo shipments and conveyances by enhancing private sector security programs, continued to be a success story in 2000 and saw strong interest from Venezuelan companies seeking to prevent infiltration of drugs in shipments to the U.S. The two BASC chapters in Venezuela grew to include 156 private sector members in 2000. U.S. Customs officers were deployed to Venezuela twice during the year in support of this program. This program comes in the context of the U.S. Customs Americas' Counter Smuggling Initiative (ACSI).

U.S. law enforcement agencies worked with counterparts to support operations in the U.S. designed to break up trafficking organizations. One notable operation involving a Colombian cocaine smuggling organization resulted in the arrest of two Colombians in Venezuela, several arrests in New York and the seizure of 130 kilograms of cocaine in Venezuela. The case contributed to the break up of a U.S. cocaine distribution network and the USG is working with Venezuela for the extradition of one of the Colombian suspects to stand trial in the U.S.

Despite these efforts, drugs continued to pass through Venezuela's ports and airports and the GOV said reorganizations (particularly in the customs service, but also in the National Guard) would be designed to enhance interdiction efforts at these locations.

Demand Reduction Programs. CONACUID continued its focus on nation-wide demand reduction programs in 2000 and focussed on drug use information collection and on treatment programs in addition to its programs with the schools and the private sector. CONACUID established a new model treatment center in Caracas and planned to expand the model to other regions. Contacts with non-governmental organizations involved in demand reduction and treatment programs improved in 2000.

IV. U.S. Policy Initiatives and Programs

The USG seeks to assist the GOV to improve its ability to prevent the use of its territory as a route for illegal drugs destined for the U.S. and to prevent the diversion of essential and precursor chemicals used in the production of illegal drugs. The U.S. will also support measures to combat international money-laundering activities in Venezuela. In order to help the GOV combat corruption that facilitates operations by drug trafficking organizations, the USG is also helping to strengthen the judicial system with a particular focus on effective case management and investigations. Specific objectives to accomplish these goals include providing equipment and training to law enforcement agencies working against drug-trafficking and related crime, assisting the armed forces to carry out effective counternarcotics operations, aiding implementation of control regimes related to money laundering and chemical controls, and providing assistance to Venezuela's implementation of its new penal system.

Bilateral Cooperation. The USG has extensive cooperative programs with Venezuela including those conducted by INL, the U.S. Customs Service, DEA, the Department of Justice, FBI and the Department of Defense. The USG has signed agreements with the Venezuelan Ministry of Defense, CONACUID, the Technical Judicial Police, the Ministry of Interior and Justice, the Attorney General's office, the Superintendancy of Banks and the Ministry of Production and Commerce to support counternarcotics programs focussing on interdiction, money laundering, chemical control and reinforcement of the judicial system. These agreements provide for provision of equipment, training and other assistance to implement shared counternarcotics goals.

Cooperation under all these agreements has been expanded under the Chavez Administration, and with U.S.-provided regional support funds from the Plan Colombia supplemental legislation, additional support will be given to all these programs to offset the regional implications of that major initiative against illegal drug production in Colombia.

The Road Ahead. Venezuela will continue to be vulnerable to drug flows from Colombia and related problems such as money laundering as that country's production increases and with the implementation of the Plan Colombia initiative against drug production. The GOV plans to intensify its efforts to combat

corruption but is also committed to reorganization of its law enforcement agencies in order to more effectively counter any spillover. The GOV is also committed to participation in regional approaches to the drug problem which can be the basis for considerable success against drug trafficking organizations. The USG will continue to work with the GOV in the context of these regional efforts and to expand law enforcement cooperation to counter narcotics related activities in Venezuela.

**Venezuela Statistics
(1992-2000)**

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Seizures									
Cocaine HCl (mt)	15.03	12.48	7.30	14.58	5.60	6.17	5.10	2.00	4.19
Other Cocaine (Basuco) (mt)	0.14	0.62	1.30	1.60	1.60	1.60	1.60	1.30	1.61
Total Cocaine Products (mt)	12.43	13.10	8.60	16.18	7.20	7.77	6.70	3.30	5.80
Cannabis (mt)	15.17	19.69	4.50	5.52	5.30	13.70	10.00	1.00	2.61
Heroin (mt)	0.13	0.04	0.04	0.11	0.07	0.10	0.02	0.02	0.01
Arrests									
Nationals	2,341	6,414	7,242	4,880	—	3,000	—	—	812
Foreigners	275	216	289	499	—	600	—	—	210
<i>Total Arrests</i>	2,616	6,630	7,531	5,379	—	3,600	—	—	1,022

[End.]

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Canada, Mexico, and Central America

Belize

I. Summary

Belize was removed from the list of major drug-transit countries in 1999 chiefly because of declining estimates of the amounts of drugs transiting there en route to the United States and Mexico, but also due to modest drug seizures over the last three years. Evidence in 2000 did not support a finding that drugs entering the United States from Belize were in an amount sufficient to have a significant effect on the United States. However, Belize's topography and geographic proximity to Mexico and the western Caribbean drug transit routes make it a logical transshipment point for drugs earmarked for delivery to the United States. Therefore, it remains a country of concern.

The Government of Belize (GOB) recognizes this possibility and works closely with the United States on narcotics control and other international crime issues, primarily through the efforts of the Belize Police Department (BPD), the Belize Defense Force (BDF), and the fledgling Maritime Anti-Drug Unit. During the past year, the GOB has increased the size and improved the structure of the BPD, built new and renovated old police stations, and enhanced police equipment and training. Several training programs have been implemented to help the BPD improve its professionalism and capabilities. Belize is a party to the 1988 UN Drug Convention.

II. Status of Country

Belize has a population of approximately 250,000 and a land mass of 8,866 square miles. Contiguous borders with Guatemala and Mexico, large tracts of unpopulated jungles and forested areas, a lengthy unprotected coastline, hundreds of small cays, and numerous navigable inland waterways, combine with Belize's rudimentary infrastructure to make Belize a potentially significant transshipment point for illicit drugs.

III. Country Actions Against Drugs in 2000

Policy Initiatives. During the year, the GOB created an Anti-Drug Unit within the BPD. This initiative marks the first time a law enforcement unit has been dedicated solely to counternarcotics. The GOB authorized the on-site collaboration of a U.S. law enforcement officer with the new counternarcotics Anti-Drug Unit. U.S. law enforcement training and technical assistance will assist the continued operations of the unit. DOJ/DEA personnel vetted members of this new unit.

The GOB also created the National Drug Abuse Control Council (NDAAC), which developed the nation's first comprehensive drug control strategy with the assistance of the Organization of American States and the European Union. The Ministry of National Security finalized the initial draft of the strategy in 2000. Revisions are pending.

The GOB fully participated in joint counternarcotics operations with the USG, such as Central Skies and Regional Aerial Reconnaissance and Eradication (RARE) missions. Throughout the year, the GOB also carried out its own independent counternarcotics operations.

Accomplishments. According to GOB statistics, in the last year the GOB increased the size of the police department by five percent to 825 officers. The GOB also renovated dozens of police stations country-wide, trained approximately 25 percent of the police force, and acquired equipment and uniforms for enforcement personnel. The GOB and the U.S. signed an Overflight Protocol to the 1992 Maritime Counterdrug Agreement in April, an Extradition Treaty in August, and a Mutual Legal Assistance Treaty (MLAT) in September. The Maritime Agreement is now in force. The extradition treaty, which will mandate the extradition of nationals, has been ratified by both Belize and the U.S., and will enter into force in the near future, as soon as instruments of ratification have been exchanged. The GOB is in the process of ratifying the MLAT. Until the

new extradition treaty enters into force, the U.S. and Belize will continue to operate under the 1972 U.S.–UK Extradition Treaty, which applies to Belize. That treaty permits, but does not require, the extradition of nationals, and the GOB has extradited its nationals in the past.

Illicit Cultivation/Production. In the first ten months of 2000, 143,000 marijuana plants were eradicated manually in Belize. Illicit cultivation of marijuana continues to occur in Belize but at reduced levels from the widespread cultivation of a decade ago, when Belize was ranked fourth in worldwide marijuana production. There is no available evidence that marijuana cultivated in Belize has a significant effect on the U.S. Although it is much less prevalent than it was in years past, marijuana remains the most popularly grown drug crop in Belize. Despite their limited resources, the BDF and BPD routinely conduct manual marijuana eradication missions involving, at times, modest-sized fields, ranging from 500 to several thousand plants.

Because of environmental concerns, the GOB does not allow spray missions for the eradication of marijuana. However, it continues to cooperate with and encourage RARE operations. Such missions are followed by BPD and BDF manual eradication of marijuana fields and seedlings, which the GOB views as effective and more environmentally sound.

There are indications that marijuana cultivation is up slightly from last year. Typically, marijuana fields are located in remote regions, far from the homes of the cultivators, so even though thousands of plants were destroyed in various locations, few attendant arrests were made.

Precursor Chemical Control. There is no evidence of traffic in precursor chemicals in Belize. Almost no industry in Belize requires the use of precursor chemicals. However, the GOB in support of the 1988 UN Drug Convention has developed a precursor chemical program. There is no evidence of the production of drugs, other than the cultivation of marijuana, in Belize.

Money Laundering. Money laundering is a potential threat to Belize because of its growing offshore financial sector. (For additional information see the Money Laundering Section).

Asset Seizure. GOB law permits the seizure of assets connected to drug trafficking but to date, none have been seized. Negotiations to implement an International Asset Sharing program in Belize have stalled.

Domestic Programs/Demand Reduction. GOB demand reduction efforts are coordinated by NDACC, which provides drug abuse education, information, counseling, rehabilitation, and outreach. NDACC also operates a public commercial campaign, complete with radio advertisements and billboards, designed to dissuade youths from using drugs. This year, NDACC developed the nation's first comprehensive drug control strategy with the assistance of the Organization of American States and the European Union. The Ministry of National Security finalized the initial draft of the strategy in 2000.

Law Enforcement Efforts. Seizures of cocaine, including crack, in 2000 declined 35 percent from the previous year to 13 kilograms. The authorities also seized 203.3 kilograms of cannabis in 2000. While Belize is a potential transit zone for cocaine, little evidence to confirm the passage of large shipments of cocaine through Belizean waters, except for the occasional single kilogram cocaine packages that wash ashore. Though building its capability, the GOB lacks adequate resources to pursue major maritime interdiction efforts. However, its efforts to eradicate marijuana have been largely successful. The GOB's most serious internal drug problem in Belize is rooted in drug-associated criminality. The newly created Anti-Drug Unit is dedicated solely to handling counternarcotics cases and conducts operations throughout the year. Obtaining convictions remains troublesome as the Office of the Public Prosecutor remains under-trained, under-paid, and poorly equipped. In 2000, the authorities made 2,072 drug-related arrests or detentions.

Corruption. In April 1999, the GOB created an Office of the Ombudsman, which can independently investigate allegations of wrongdoing. The police also have an internal affairs investigator charged with handling complaints against police officers. However, there have been no test cases during the tenure of the current Commissioner of Police.

Agreements and Treaties. Belize has been a party to the 1988 UN Convention since 1996. In March 1997, Belize ratified a stolen vehicles treaty with the U.S. In September 1997, the GOB signed the National Crime Information Center Pilot Project Assessment Agreement, which allows for the sharing of information and data between the U.S. and Belize. In 1992, Belize set the standard for maritime counterdrug cooperation in the region by signing the first Maritime Counterdrug Agreement with the U.S. The GOB and the U.S. signed an Overflight Protocol to the 1992 Maritime Agreement in April 2000, a new Extradition Treaty in August and an MLAT in September.

Drug Flow/Transit. Maritime routes along Belize's lengthy coastline, remote border crossings, and navigable inland waterways are the suspected means for trafficking narcotics through Belize to Mexico, Guatemala, and the U.S. Because of limited seizures of cocaine during the past three years, transit patterns have been difficult to verify.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives and Bilateral Cooperation. The U.S. strategy in Belize continues to focus on assisting the GOB to develop a sustainable infrastructure, which will allow it to combat its drug problems effectively. In 2000, U.S. support included equipment and training for several units of the police department. U.S. counternarcotics and law enforcement assistance focused on renovating the Belize City Police Station, constructing the Joint Intelligence Coordination Center (JICC), and establishing the new anti-money laundering unit. The U.S. provided equipment and training to the police canine unit, the rapid response force, and the JICC. The U.S. Coast Guard and the U.S. military responded to GOB requests for training and logistics support for counternarcotics activities.

The Road Ahead. With trafficking routes constantly in flux, the potential remains for Belize to become a significant transshipment point for marijuana, cocaine, crystal methamphetamine, and heroin. Marijuana cultivation continues to require monitoring and periodic eradication. After two years in power, the People's United Party continues to rank combating drug trafficking and associated crime as a top priority. U.S. support will focus on building maritime capabilities, supporting police counternarcotic units, and improving Belize's administration of justice.

Canada

I. Summary

Canada, like the United States, is primarily a drug-consuming country. It produces large amounts of high tetrahydrocannabinol (THC) content marijuana cultivated in indoor, increasingly-hydroponic operations, much of which is shipped to the U.S. International drug traffickers attempt to route drug shipments, primarily heroin, cocaine and MDMA (ecstasy), through Canada to the U.S. to take advantage of the long and open Canada-U.S. border, the massive flow of legitimate containerized commerce, and the lower criminal penalties compared with the U.S. Canada is in the process of strengthening its laws and regulations on money laundering and chemical diversion to bring them into compliance with international standards.

The GOC's drug control strategy emphasizes drug abuse prevention and treatment. The law enforcement component emphasizes action against organized crime. Canadian law enforcement officials cooperate closely and actively with their U.S. counterparts on narcotics investigations and interdiction efforts. Canada is a party to the 1988 UN Drug Convention and participates actively in international drug control efforts.

II. Status of Country

Narcotics production, distribution, and use are illegal in Canada. Drugs are smuggled into Canada for domestic use and for transshipment to the U.S. or Europe, and vice versa. Canadian and U.S. law enforcement agencies take this shared problem very seriously, particularly with respect to Asian-sourced heroin, and continue to explore more effective ways to confront it. Since neither government has precise estimates of the amount of illicit drugs transshipped through Canada to the U.S. or from the U.S. to Canada, they are undertaking a comprehensive joint study.

Cocaine, hashish, and Asian heroin continue to enter North America predominantly by sea containers, but also by air and over land. Major ports of entry include Vancouver, Montreal, and Halifax, as well as Toronto's Pearson Airport. Given the long and open U.S.-Canada border, Canada will continue to be targeted by smugglers for potential transit points to and from the U.S. market. U.S. and Canadian law enforcement coordinate closely at all levels to curb trafficking, but recognize that constant vigilance is required. Though the Government of Canada (GOC) is taking steps to address them, money laundering and chemical diversion are also problems in Canada.

While Canada has a relatively low crime rate compared with other countries in the Western Hemisphere, drug trafficking by organized crime has been identified by Canadian law enforcement as a serious problem. Toronto, Canada's largest city, has experienced growing problems with organized criminals from Asia and Russia. Asian-based ethnic groups dominate the heroin trade, alien smuggling, and credit card fraud, which are aimed at the United States as well as Canada. Vancouver, which also has significant Asian gang activity, now suffers from epidemic drug abuse with nearly one death per day from drug overdoses. Criminal motorcycle gang activity, including methamphetamine trafficking, appears to be on the rise nationwide.

According to the Royal Canadian Mounted Police (RCMP), Colombian and Italian-based organized crime and outlaw motorcycle gangs appear to be the single most active criminal groups importing cocaine, though others are involved as well. Shipments arrive via mothership, marine containers, and occasionally by clandestine flights. The RCMP estimates that between 50-100 tons of foreign marijuana, at least 100 tons of hashish (plus six tons of liquid hashish), 15-24 tons of cocaine and at least one ton of heroin are imported into Canada each year, producing up to CAN \$4 billion in wholesale profits and CAN \$18 billion in street-level profits.

Canada's drug strategy, the third in a series of five-year plans, was issued in 1998. The strategy is comprehensive, addressing all of the foregoing problems. Only approximately 30 percent of its counternarcotics efforts and resources is devoted to law enforcement, however, with the remainder focused on domestic demand reduction. Building on stronger antidrug legislation passed in 1997, the Canadian drug strategy calls for a new targeting imperative on organized crime by the Solicitor General's Office.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Recognizing that Canada's large and diverse financial sector, unprotected by mandatory reporting requirements for suspicious transactions, had become an attractive venue for international money launderers, the GOC passed control legislation in 1999 in response to recommendations of the Financial Action Task Force (FATF). The GOC expects to have the Financial Transactions and Report Analysis Center that the law requires fully operational by mid-2001. The GOC has also tasked Health Canada with developing regulations on precursor chemicals.

Accomplishments. In 2000 (as of November 30), Canadian authorities made 12,186 drug-related arrests (compared with 12,541 in 1999). Canadian law enforcement efforts, often in cooperation with U.S. counterparts, resulted in the interdiction of numerous large-scale narcotics shipments and the wholesale disruption of trafficking organizations. In November 2000, in a joint investigation, several traffickers and airline employees were arrested for using Pearson Airport in Toronto to ship drugs from South America to Canada. On June 13 the RCMP arrested 45 traffickers involved in an organized ring transporting marijuana from Ontario and Quebec to New York via the Akwesasne Reservation.

Canadian authorities several times seized large caches of heroin. On June 11, 1,100 grams were seized in Vancouver, British Columbia. On September 2, 99 kilograms from a container arriving from the People's Republic of China were seized in Vancouver, British Columbia. Fifty-seven kilograms hidden within a shipment of preserved duck eggs, together with 17 kilograms of MDMA were seized in Toronto, Ontario on September 4. Six hundred grams were seized from a courier on a flight from Frankfurt, Germany to Toronto on September 29. The courier resided in Detroit, Michigan.

Canadian authorities made significant drug seizures throughout the year, principally at airports and seaports, many as a result of joint investigations with the U.S. Drug Enforcement Administration. Joint investigations involving the RCMP and DEA resulted in the seizure of several cocaine shipments of 1,000 and 1,206 kilograms in Florida and the Bahamas organized by traffickers in Toronto and destined for locations in the U.S. and Canada. Traffickers went to considerable lengths to evade detection; one 48 kilogram cocaine shipment was discovered in a container arriving from South Africa to Vancouver, British Columbia.

Canadian authorities seized large caches of cannabis and hashish, e.g., approximately ten tons of hashish were seized in January 2000 from a container arriving in Montreal from Dubai. Another ten tons of hashish bound for Montreal was seized in Newark by the DEA. Both shipments were organized by Canadian based trafficking organizations. In July, 1,000 kilograms of hashish and 22 kilograms of hash oil were seized at a home in Blainville, Quebec. In Montreal, another 200 kilograms of hashish were discovered in a container arriving from the Netherlands and 171 kilograms were found in Ontario. Canadian authorities seized numerous MDMA (ecstasy) shipments arriving from such destinations as the Netherlands and Bulgaria, and closed several laboratories, including a residential lab in Ontario with an estimated production capacity of 400,000 dosage units.

Based on information provided by a chemical supply house in the Toronto area concerning a suspicious purchase of hydriodic acid, a precursor chemical for producing methamphetamine, the RCMP conducted a successful investigation against a methamphetamine trafficking group. Working with DEA, the RCMP arrested a trafficker and seized a cache of methamphetamine precursors. The defendant was a U.S. parole violator with close ties to the California Hells Angels.

Law Enforcement Efforts. During 2000, Canadian authorities continued to implement the five-year antidrug strategy issued in 1998. The strategy recognizes the growing threat from transnational organized crime, particularly narcotics traffickers, and directs a concerted effort against it. In 2000, the GOC increased funding to fight organized crime, largely through enhanced intelligence.

While the RCMP has mounted effective operations against narcotics and other criminal organizations, Canadian courts have been reluctant to impose tough prison sentences reflecting a widespread view that drugs are a "victimless" crime and should be treated primarily as a health issue. The Canadian Supreme Court has questioned the legality of police involvement in "sting"-type operations, undercover "buys" and other techniques now commonly used around the world in drug investigations, largely on privacy grounds, as a potential violation of the 1982 Canadian Charter of Rights and Freedoms.

Corruption. Canada holds its officials and law enforcement personnel to very high standards of conduct and has strong anticorruption controls in place. Government personnel found to be engaged in malfeasance of any

kind are removed and subject to prosecution.

Agreements and Treaties. Canada is a party to the 1988 UN Drug Convention. The U.S. and Canada have numerous long-standing agreements on law enforcement cooperation, including extradition and mutual legal assistance treaties, a customs mutual assistance agreement, and an asset sharing agreement. In 1998, the RCMP became the first foreign law enforcement organization to be afforded access to the El Paso Intelligence Center (EPIC), the USG's tactical drug intelligence center.

Canada actively participates in international antidrug fora including: the UNDCP, the Inter-American Drug Abuse Control Commission of the Organization of American States (CICAD), the Dublin Group, the Financial Action Task Force, and other groups. It is also an active participant in the Multilateral Evaluation Mechanism (MEM), a hemispheric peer review system to evaluate each member state's antidrug strategies and efforts. Canada chaired the negotiation process that designed the MEM. The GOC is a major contributor to both the UNDCP and CICAD, both in funding and technical support. It was among the first signatories to the UN Convention Against Transnational Organized Crime and its protocols on trafficking in persons and smuggling of migrants, which were approved in December.

Cultivation and Production. Cannabis products continue to be the drug of choice among Canadian drug users. Both hashish and marijuana are readily available and widely consumed among drug users. Marijuana growers are turning away from conventional outdoor cultivation to utilize greenhouses or hydroponic facilities. Indoor growing facilities have increased the tetrahydrocannabinol (THC) level of hydroponic marijuana (estimated to be between 10-20 percent), and hydroponic marijuana is in demand by Canadian and U.S. consumers. The increase in demand coupled with high profits from sales, low start up costs and ease of operation have made marijuana cultivation attractive to criminal groups, particularly organized motorcycle gangs, which have affiliates in major metropolitan areas such as Vancouver, Toronto and Montreal. Unlike the United States, hashish also finds a broad market in Canada.

According to Canadian authorities, marijuana cultivation in British Columbia is a sophisticated, one billion-dollar-a-year growth industry with a sizeable amount of the harvest being smuggled into the U.S. A pound of high-grade marijuana smuggled into California will sell for 600 percent of its wholesale value in British Columbia. U.S.-produced marijuana is also imported into Canada, although the amount is not known.

During 2000, Canadian authorities cracked down on the production of MDMA, PCP and GHB. A number of clandestine MDMA laboratories have been located in major population areas including Toronto, Vancouver and Montreal. Outlaw motorcycle gangs and other Montreal criminal groups specialize in the manufacture of "ecstasy" MDMA/PPMA. Recent search warrants targeting outlaw motorcycle gangs have recovered large quantities of MDMA along with cocaine. Laboratories manufacture from one to five kilograms at a time, with a yield of approximately 10,000 tablets per kilogram. PCP manufacturing mostly occurs in or near Quebec City in laboratories managed by outlaw motorcycle gangs. GHB manufacturing also takes place in the Toronto area. Manufacturing of GHB and other synthetic drugs is relatively simple and two companies in Quebec and Ontario offer complete manufacturing kits on the Internet.

Domestic Programs. Based on Canadian government estimates, there are approximately 1,000,000 drug users in Canada, including some 250,000 cocaine addicts and 40,000 heroin addicts. Canada emphasizes demand reduction in its drug control strategy and, along with non-governmental organizations, offers extensive drug abuse prevention programs. The focus on prevention is considered a more cost-effective intervention. There are substantial regional differences in the patterns of drug abuse. For example, Vancouver struggles with heroin overdose deaths while Native American communities in the prairie provinces are plagued with propane and glue-sniffing.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Canadian and U.S. law enforcement have an extensive cooperative relationship, perhaps the closest and most productive of our international partnerships. Strong cooperation exists not only at the federal level, bilaterally and multilaterally, but at the state and local level as well. The principal bilateral cooperative forum is the annual Cross-Border Crime Forum which engages policymakers in a joint effort to guide that relationship and to enhance coordination. Its working groups continue to identify areas and priorities, such as intelligence sharing, where we can better advance our common goals. Operation North Star is an ongoing mechanism for operational coordination. The two governments have a broad array of agreements in place to facilitate legal cooperation, such as the extradition and mutual legal assistance (MLAT) treaties, and an information sharing agreement between the U.S. DEA and the RCMP. Canada is by far the United States' principal extradition partner.

To further enhance this unparalleled relationship, the USG is committed to:

- supporting Canadian efforts to strengthen legislation and regulatory practices consistent with international standards and practices;

- maintaining and expanding two-way intelligence sharing;
- maintaining and expanding professional exchanges and cooperative training activities between our law enforcement agencies; and
- maintaining joint cross-border investigations and operations.

The Road Ahead. The United States looks forward to continuing its already excellent law enforcement partnership with Canada at both the bilateral and international level. The GOC has taken and continues to take important steps to enhance the capabilities of Canadian law enforcement to confront the growing threat of international organized crime, drug trafficking and money laundering in Canada. However, sentencing guidelines, together with stronger judicial and public support, would increase the impact of the GOC's law enforcement efforts and create a stronger deterrent to transnational crime.

Costa Rica

I. Summary

Costa Rica is a transshipment point for the smuggling of cocaine and heroin from South America to the United States and Europe. Although Costa Rica is not a major transit country for drugs coming to the United States, it remains a country of concern to the U.S. The bilateral Maritime Counterdrug Cooperation Agreement, which entered into force in late 1999, has improved the ability of the United States and Costa Rica to combat maritime drug smuggling. In 2000, Costa Rica enacted legislation to establish a professional coast guard service. Costa Rica is a party to the 1988 UN Drug Convention.

II. Status of Country

Costa Rica's strategic location on the Central American isthmus makes the country an attractive transshipment and staging area for shipments of South American-produced cocaine and heroin destined for the United States and Europe. Enhanced land interdiction capabilities caused drug traffickers to abandon traditional overland routes and redirect their illicit cargo to points north via maritime and air assets. Cocaine seizures by Costa Rican authorities fell for a second year in 2000 compared to the record seizures of 1997-98. Legislation enacted in May 1998 addressed many of the major loopholes in the Costa Rican banking system and created a Financial Investigative Unit (FIU). Costa Rica does not produce controlled precursor or essential chemicals. The importation and distribution of such chemicals and prescription drugs are subject to a stringent governmental licensing process. Costa Ricans are increasingly concerned over local consumption of illicit narcotics, particularly crack cocaine, and the violent crimes associated with drug use and trafficking. The GOCCR's adoption of strict antidrug measures is an attempt to meet the serious threats posed by narcotics trafficking. Resource limitations continue to constrain enforcement.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOCCR was the first Central American country to sign a comprehensive six-part bilateral Maritime Counterdrug Cooperation Agreement with the U.S. The Costa Rican Legislative Assembly passed the Coast Guard Professionalization Law in May 2000. This law establishes an autonomous budget with higher salaries and addresses personnel professionalization through increased requirements for admission to the soon-to-be established Coast Guard Academy and institutes officer and enlisted career tracks. Under the new law, the Coast Guard is responsible for maritime law enforcement operations (counternarcotics, fisheries, immigration, and arms trafficking), protection of natural resources, port security, and maritime search and rescue.

Proposed legislation currently under consideration in the Legislative Assembly would create a Costa Rican Counternarcotics Institute, which would facilitate coordination of the GOCCR's efforts in counternarcotics intelligence, demand reduction, asset seizure, and precursor chemical licensing. The legislation would expand current money laundering measures to include offenses that are not strictly narcotics-related (for additional information please see money laundering section). Furthermore, the proposed legislation would address identified gaps in the internal control of precursor and essential chemicals.

Implementation of the Criminal Procedures Code, enacted in January 1998, has enhanced cooperation between the Judicial Investigative Police and the Public Prosecutor's Office.

Accomplishments. Relations between U.S. law enforcement agencies and GOCCR counternarcotics organizations, including the Judicial Investigative Police Narcotics Section and the Ministry of Public Security Drug Control Police, remain close and productive, resulting in regular information sharing and joint operations. Costa Rica hosted four joint operations under the auspices of the USG-coordinated regional operation known as "Central Skies-Operation Chokehold." Central Skies Operations have resulted in the destruction of over 4.2 million marijuana plants to date. Helicopters and aircrews of Joint Task Force Bravo deployed from Soto Cano Air Base, Honduras, supported these eradication operations. Additionally, the maritime component of these

joint operations has resulted in 235 boardings, seizure of 30 kilograms of cocaine and two go-fast vessels, the first successful prosecution of a maritime pollution case, detention of six vessels for illegal fishing, and the integration of the Air Surveillance Section of the Ministry of Public Security for counterdrug detection and monitoring flights.

The Drug Department of the Ministry of Public Health operates an effective program to license the import and distribution of precursor and essential chemicals and prescription medicines. It is currently seeking to improve the control of the re-sale of precursors within Costa Rica, as well as re-exportation.

Law Enforcement Efforts. The primary counternarcotics agencies in Costa Rica are the Judicial Investigative Police, under the Supreme Court, and the Ministry of Public Security's Drug Control Police. The Judicial Investigative Police operate a small, but highly professional, Narcotics Section that specializes in investigating international narcotics trafficking. The Drug Control Police investigate both domestic and international drug smuggling and distribution and is responsible for airport interdiction as well as land-based interdiction at the primary ports of entry. Both entities routinely conduct complex investigations of drug smuggling organizations, resulting in arrests and the confiscation of cocaine using the full range of investigative techniques permitted under the country's progressive antidrug statutes, including use of wiretaps, controlled deliveries, and undercover agents. Information obtained during investigations by GOCR judicial authorities displays evidence that use of Costa Rica's wiretap law has disrupted criminal organizations, making those organizations increasingly more guarded in their communications and more likely to use pay telephones or pre-paid cards and to switch cellular phones on a more frequent basis. Evidence gathered under the Costa Rican wiretap law has also facilitated narcotics prosecutions in the United States.

Costa Rica does not have an expeditious asset forfeiture procedure. Current law does not put the burden of proof on the defendant to prove legitimate purchase of assets. The development of a comprehensive asset forfeiture procedure would facilitate law enforcement efforts and could potentially provide the GOCR with a much-needed source of income and/or assets in support of such efforts.

Corruption. President Rodriguez has worked to deter corruption among public officials. U.S. law enforcement agencies consider the public security forces to be full partners in counternarcotics investigations and operations with little or no fear of compromise to on-going cases. The Minister of Public Security dismissed 21 personnel from the maritime service for corruption and incompetence following the recent passage of the Coast Guard Professionalization Law.

Agreements and Treaties. The six-part bilateral Maritime Counterdrug Cooperation Agreement is the most comprehensive agreement of its kind in the region. The agreement is designed to promote closer cooperation in the interdiction of maritime smuggling. At the same time the Maritime Agreement was signed, the U.S. and Costa Rica also signed a Memorandum of Understanding (MOU) on Maritime Cooperation and Assistance. The United States agreed in the MOU to take steps toward securing equipment, and technical and training assistance for the Costa Rican Coast Guard. The GOCR and the Netherlands are co-sponsoring an effort to establish a regional maritime counterdrug agreement for Caribbean and Central American countries. The draft, based on a Costa Rican model of the USG six-part maritime agreement, is being circulated among interested countries for review. Formal negotiations began in 2000.

Both the U.S. and Costa Rica have ratified the bilateral Stolen Vehicles Treaty concluded in 1999. The U.S.-Costa Rican extradition treaty entered into force in 1991. Although Costa Rican law does not permit the extradition of nationals, the treaty is used on a regular basis to extradite non-Costa Rican national. Costa Rica is a party to the 1988 UN Drug Convention and all other UN narcotics agreements. Costa Rica and the U.S. are also parties to bilateral drug information and intelligence sharing agreements dating from 1975 and 1976. Costa Rica is a member of the Caribbean Financial Action Task Force and the Egmont Group.

Cultivation and Production. Cannabis cultivation is relatively small-scale and generally found in remote mountainous areas near the Panamanian border, in the Caribbean region near Limon and Talamanca, and the Valle del General on the southern Pacific coast. Such cultivation is sometimes intermixed with legitimate crops. There is no evidence of the export of cannabis from Costa Rica. Costa Rica does not cultivate other illicit drugs. No clandestine cocaine laboratories have been detected in Costa Rica since 1986.

Drug Flow and Transit. Overland shipments of illicit narcotics transiting Costa Rica are more likely to be transported in smaller vehicles than in the tractor-trailers that drug traffickers used before 1999. Historically, overland shipments would proceed to San Jose for temporary storage prior to consolidation or re-packing for transit northward. Current information indicates that such shipments are being moved directly from the southern to the northern border as quickly as possible, and then are being passed into Nicaragua. The recent trend of trafficking narcotics by maritime routes has continued. The narcotraffickers avoid overland routes by using go-fast vessels to transport drugs by way of the Pacific Ocean and Caribbean. Costa Rican internal drug use is mostly limited to marijuana, cocaine, and crack. However, the club drug MDMA, also known as ecstasy, is available and increasing in popularity among young adults. LSD has also been detected. The dramatic decline in the availability of cocaine at the street level, as reported last year by the Judicial Investigative Police,

appears to be a sustained trend with street prices for cocaine continuing to rise. This can partially be attributed to the current preference by traffickers of directing their shipments into Guatemala and Mexico, avoiding the rest of the isthmus.

Demand Reduction. Costa Ricans have become increasingly concerned over local consumption, especially of crack cocaine. Abuse appears highest in the Central Valley (including the major cities of San Jose, Alajuela, Cartago, and Heredia), the port cities of Limon and Puntarenas, the north near Barra del Colorado, and along the southern border. The National Drug Prevention Council (CENADRO) oversees drug prevention efforts and educational programs throughout the country, primarily through well-developed educational programs for use in schools and community centers. CENADRO also serves as the custodian for assets seized from narcotics traffickers. The Costa Rican Drug Abuse Resistance Education (DARE) Foundation, modeled after its U.S. counterpart, conducts drug awareness programs at over 500 public and private schools, and is considered one of the top international DARE programs. The DEA's Costa Rica office collaborated with DARE Costa Rica in November in conducting the first Red Ribbon Campaign outside the United States.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. counternarcotics goals in Costa Rica aim to reduce the transit of drugs to U.S. markets. Objectives include reducing the flow of illicit narcotics through Costa Rica, enhancing the effectiveness of the criminal justice system, reducing the use of Costa Rica as a money laundering center by strengthening enforcement of recently approved controls against such activities, and supporting efforts to locate and destroy marijuana fields. Specific objectives include: continuing to implement the bilateral Maritime Counterdrug Cooperation Agreement; enhancing interdiction of drug shipments by improving the facilities and training personnel at the northern border crossing of Penas Blancas; enhancing the ability of the Air Section of the Public Security Ministry to respond to illicit drug activities by providing equipment and technical training; improving law enforcement capacity through providing specialized training and equipment to the Judicial Investigative Police Narcotics Section, the Drug Control Police, Joint Counternarcotics Intelligence Center (CICAD), the National Police Academy, and the Customs Control Police; and to increase public awareness of dangers posed by drug use through assistance to Costa Rican demand reduction programs and initiatives.

The single border crossing between Costa Rica and Nicaragua at Penas Blancas provides a unique opportunity for law enforcement officials to reduce northbound overland cocaine trafficking through Central America via the Pan American Highway. There are no secondary crossing points or alternative routes on the Costa Rican–Nicaraguan border to bypass the main check point. The U.S. Embassy is working with GOCR law enforcement authorities to establish enhanced port-of-entry/exit facilities for greater border control. This facility will have the potential for future expansion to allow for southbound inspections seeking traffic in illegal arms, currency, precursor chemicals, and stolen equipment.

The Department of State allocated \$1.9 million from the Colombia Interdiction and Alternative Development Supplemental appropriation for expanded assistance to the Costa Rican Coast Guard as outlined in the MOU signed along with the Maritime Agreement. This assistance is designed to enhance Costa Rican and U.S. maritime security through the development of a professional Coast Guard. Plans include acquiring eight small boats, supporting the transfer of a second U.S. Coast Guard Point Class cutter, providing advanced professional and technical training for GOCR personnel, and assisting with the renovation of three Coast Guard stations on the Pacific coast.

Bilateral Cooperation. The U.S. Department of State's Bureau of International Narcotics and Law Enforcement (INL) sponsored numerous technical assistance and training programs for Costa Rican officials during 2000. Regional training opportunities included the extensive U.S. Customs Service Integrity and Risk Assessment series and several INL-sponsored FBI professional development seminars with topics ranging from stolen vehicles to media relations. INL and DEA sponsored a Costa Rica-specific money laundering seminar for public and private institutions and officials as well as an advanced training seminar on precursor chemicals. INL funding supported the participation of 12 Coast Guard personnel in a three-month training course in patrol boat operations at the U.S. Navy Small Craft Instruction and Technical Training School in early 2000; a two-week Port Security Program for 52 GOCR officials from five GOCR law enforcement agencies in June; and a follow-on Port Security and Container Inspection Program in September.

The U.S. Embassy San Jose and U.S. Southern Command sponsored the first Regional Summit on Anti-Corruption and Counterdrug Activities for 160 government representatives from Central America and Mexico, on February 24–25, 2000, and the first Central American Patrol Boat Commanders Conference, on May 17–19, 2000. Both conferences promoted the broader U.S. objective of encouraging greater counternarcotics cooperation with and among the Central American countries.

The U.S. purchased specialized surveillance gear and related computer equipment for the Judicial Investigative Police Narcotics Section and the Drug Control Police to assist in narcotics investigations. The U.S. also acquired upgraded computer equipment for the Public Prosecutor's Narcotics Section and the Ministry of Public Health's

Precursor Chemicals Unit. CICAD also received technical equipment to support the implementation of Guardian software and the Financial Analysis Unit.

The Road Ahead. U.S.–GOCR cooperation will intensify with the recent allocation of funding for the development of the Costa Rican Coast Guard and as the U.S. assists in enhancing Costa Rica's capabilities to engage in the joint operations contemplated by the bilateral Maritime Counterdrug Cooperation Agreement. The United States seeks to improve GOCR capabilities to curtail the use of Costa Rica as a narcotics transshipment and temporary storage area, discourage drug consumption, and fight money laundering. The U.S. will cooperate with the GOCR in its efforts to professionalize its public security forces and implement and expand the strict controls against money laundering enacted in 1998.

El Salvador

I. Summary

El Salvador is a transit country for narcotics, mainly cocaine, moving to the U.S., although evidence in 2000 did not support a finding that drugs coming into the U.S. from El Salvador were of sufficient quantity to have a significant effect on the U.S. Although it is not a major transit country for drugs coming to the United States, El Salvador remains a country of concern to the U.S. Local consumption is on the rise, and law enforcement agencies have noted a significant increase in the production and sale of low-cost crack cocaine. Under the guidance of President Francisco Flores, the Government of El Salvador (GOES) has established Grupo Cuscatlan, an interagency counternarcotics coordination group which includes the military and civilian agencies. El Salvador participated in two joint eradication/training efforts with the U.S. in 2000, Operation Pelican and Central Skies, in addition to participating in a regional narcotics interdiction exercise called Operation Liberator. The Anti-Narcotics Division (DAN) of the National Civilian Police (PNC) continues to improve its professional capability, and the Joint Intelligence Coordination Center (JICC) is expanding its interaction with EPIC. The GOES has been purging its National Police of officers suspected or accused of crimes or corruption, and a similar process is now underway in the Attorney General's Office and the court system.

The GOES approved in record time a U.S. request to establish a Forward Operating Location (FOL) in El Salvador's main airport. The FOL has already provided valuable interdiction information against Pacific traffickers. Using funds approved by Congress as part of Plan Colombia, and building on programs begun using relief funds from Hurricane Mitch, the United States is working with the GOES to strengthen existing capabilities to fight corruption, reduce the transit of illegal contraband, and erect barriers to alien smuggling. Where those capabilities are non-existent or in a fledgling state, U.S. assistance is enhancing institutional abilities.

The GOES Financial Investigation Unit began operations in 2000, a major step in the implementation and enforcement of its 1998 money laundering legislation. The GOES has an interagency group providing oversight to efforts to address the problem of precursor chemicals, and the U.S. continues to provide training to further develop expertise in this area. El Salvador is a party to the 1988 UN Drug Convention.

II. Status of Country

Cocaine seizures in El Salvador remain far short of those in neighboring countries, and the quantities seized likely do not reflect the true level of trafficking. The Pan American and Litoral Highways have been major transit routes, and there is some evidence of increased transit via the seaport of Acajutla en route to ports in Guatemala and Mexico, where they are staged for further transport to the United States. El Salvador produces only small quantities of cannabis for domestic consumption. The installation of a new air traffic control radar has helped reduce unregistered air traffic through Salvador air space. A new border crossing station at the border with Honduras will help reduce trafficking on that part of the Pan American Highway, and a strengthened national K9 program should help reinforce interdiction efforts. The GOES continues to move actively against potential money laundering, expanding its efforts to encompass casinos and money exchange houses, in addition to commercial banks. (For additional information see Money Laundering Section)

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOES created Grupo Cuscatlan, an inter-agency cooperative body incorporating civilian law enforcement and military elements. The director of the National Civilian Police (PNC) instituted an ongoing internal investigation which is sharply reducing the number of corrupt police, and he is further improving screening and training procedures for new recruits. Although PNC drug seizures increased moderately over 1999, the Director was unable to meet the sharp increase he had projected. As a result, he has vowed that the PNC will redouble its efforts in the coming year. The GOES also initiated an internal investigation of the Attorney General's Office and the courts aimed at purging corrupt elements.

Accomplishments. El Salvador participated in two joint eradication/interdiction/training exercises with the

U.S. in 2000, Operation Pelican and Central Skies. It also participated in the first combined maritime operation, Operation Accion Aliado. U.S. law enforcement and military officials participating in these exercises and operations praised the high degree of cooperation from the Salvadoran police and military participants, and noted the good internal Salvadoran interagency cooperation resulting from coordination provided by Grupo Cuscatlan. Salvadoran police and enforcement authorities also took part in a regional coordination/training exercise, Operation Liberator. A new border crossing inspection station will be constructed in 2001 to improve border controls with Honduras. The FOL began operating in 2000. The Legislative Assembly is considering a package of legislative changes, including wiretap authorization and organized crime provisions. The Vice President announced the establishment of a code of government ethics. The Salvadoran legislature approved a constitutional amendment permitting the extradition of nationals.

Law Enforcement Efforts. The 422 kilograms of cocaine seized in 2000 represents a significant increase from 1999's 23.8 kilograms and 1998's 42 kilograms. Cannabis seizures in 2000 totaled 451 kilograms, an increase from the seizure of 280.8 kilograms in 1999. If the Legislative Assembly passes proposed laws currently under consideration, the police would be granted powers that could significantly expand their ability to conduct investigations and effect seizures. Under the auspices of Grupo Cuscatlan, Salvadoran military assets are now being used in ground, air, and maritime capacities in support of antinarcotics operations.

Corruption. The GOES has been active on a variety of fronts in the fight against corruption. In 2000, the Vice President announced a code of government ethics. The police, Attorney General's Office, and the courts all are involved in an anticorruption based restructuring which should result in a more reliable, professional, and transparent legal system. The PNC's Internal Investigations Unit has been established, as has the Office of Crimes Against the State in the Attorney General's Office. The U.S. will continue to assist with training for all these institutions to support the ongoing anticorruption initiatives.

Agreements and Treaties. The GOES approved in record time an agreement to allow the U.S. to establish a Forward Operating Location (FOL) on the military side of Comalapa Airport. The Salvadoran legislature approved a constitutional amendment allowing the extradition of Salvadoran nationals. As a result, the U.S. and El Salvador anticipate entering into negotiation in 2001 of a modern extradition treaty to replace the current extradition treaty dating from 1911. The U.S. and Salvadoran governments also are actively discussing maritime and stolen vehicles treaties which could be signed in 2001. The GOES is a party to the 1988 UN Drug Convention. In December 2000, El Salvador signed the UN Convention Against Transnational Organized Crime.

Drug Flow/Transit. Illegal drug traffic appears to move through El Salvador on the Pan American and Litoral Highways. Small boats may be in use for regional trafficking, and large shipments likely transit the seaport of Acajutla on the way to ports in Guatemala and Mexico. Intelligence suggests substantial trafficking by "mother-ships" and go-fast boats bypassing Salvadoran waters. Unregistered traffic by small planes through Salvadoran airspace has been significantly decreased by the installation of a new, more powerful radar at Comalapa Airport and interdiction cooperation between the military, the port authority, and the PNC.

Domestic Programs/Demand Reduction. Local drug consumption, particularly of crack, continues to increase in El Salvador. "FUNDASALVA," El Salvador's premier substance abuse institution, plans to launch a demand reduction public education advertising campaign in 2001, with U.S. assistance. There are domestic treatment programs in place, including in small urban centers. The Drug Abuse Resistance Education (DARE) program has been given new resources by the PNC director.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The U.S.' broad-based efforts in El Salvador are designed to strengthen and further professionalize the PNC, especially the Anti-Narcotics Division (DAN), to increase Salvadoran capability to combat money laundering, and to ensure a transparent and professional criminal justice system.

Bilateral Cooperation. In 1999, El Salvador received \$950,000 in supplemental Hurricane Mitch funds, which were allocated to support ongoing anticorruption efforts, including the new PNC Inspector General's Internal Affairs Unit (\$300,000), the Attorney General's Office of Crimes Against the State (\$300,000), and the establishment of an independent Office of Government Ethics (\$350,000). In 2000, El Salvador received a \$3 million allocation from the Plan Colombia supplemental legislation, which will fund a variety of antinarcotics projects including: the establishment of an interagency antinarcotics operations center headed by the DAN; the provision of communications equipment for the PNC, the DAN and border police; the construction of DAN substations at remote entry points; new maritime interdiction equipment; and specialized training for judges, police and prosecutors. The U.S. Coast Guard has agreed to transfer an 82-foot patrol boat in May 2001 and anticipates donating additional naval assets to improve maritime interdiction.

The Road Ahead. The establishment of Grupo Cuscatlan, the government's anticorruption initiatives, and the increasing professionalism of Salvadoran law enforcement and military participants in joint U.S. exercises are important steps in improving antinarcotics efforts. New naval assets will enhance maritime interdiction capabilities. In the coming year, the U.S. will work with the GOES to improve detection and interdiction at the

borders, particularly with Honduras, and at the port of Acajutla. The new border crossing station, a revitalized K9 program, and expanded and increasingly specialized training will head the U.S.' agenda in 2001. The U.S. will continue to work with the Legislative Assembly and the GOES to ensure passage of a new package of legislation granting the police broader and stronger authorities. The U.S. also will work toward signature of maritime, extradition, and stolen vehicles treaties.

Guatemala

I. Summary

Guatemala remains a major drug-transit country for South American cocaine en route to the United States and Europe. Cocaine is moved through Guatemala by air, road, and in seagoing vessels of all types. In 2000, U.S. Government (USG) law enforcement agencies worked closely with the Government of Guatemala (GOG) to increase law enforcement capabilities to counter the constant flow of drugs transiting the country. Seizures declined significantly due to the tremendous turnover in personnel in law enforcement and other GOG agencies, an acute lack of resources, and widespread corruption. Professionalization of the National Civilian Police's Department of Anti-Narcotics Operations (DOAN), the main Guatemalan counternarcotics force, is a prime objective of the Government. The GOG is working, with USG assistance, to develop effective, integrated law enforcement and counternarcotics training programs to continue to improve the quality of the DOAN and to enhance interdiction and eradication operations. There are also efforts to improve the training for narcotics prosecutors. The GOG has a growing domestic consumption problem and supports a very active demand reduction program.

The GOG has yet to seriously consider enacting comprehensive money laundering legislation and has not positively responded to U.S. overtures for a comprehensive six-part maritime counternarcotics agreement. Guatemala is a party to the 1988 UN Drug Convention.

II. Status of Country

Guatemala is the preferred country in Central America for storage and consolidation for onward shipment of cocaine to the United States. U.S. estimates indicate that over 300 metric tons of cocaine are shipped through the Central American corridor to Mexico and the United States annually. Guatemalan law enforcement agencies interdicted close to one-and-a-half metric tons of cocaine in 2000. This was a significant drop from the previous year's ten metric tons even though narcotics-related arrests almost doubled to 842. Crack seizures rose sharply, highlighting the marked increase in domestic consumption apparently caused by the narcotraffickers paying for transportation services with drugs rather than money.

Cocaine seizures declined because of widespread corruption, high turnover of law enforcement personnel at all levels, and a lack of financial support from the incoming administration. Since the Portillo administration took office in January 2000, there have been four different directors of DOAN. This turnover has made long-range planning for operations and investigations nearly impossible and the formation of working relationships very difficult. With only limited air assets, the Guatemalan police have lacked an airlift capability to support their eradication and drug interdiction efforts. They often have trouble providing even basic equipment and provisions to the DOAN agents in the field. This is exacerbated by their expansion of recent years into more areas of the country. Corruption is endemic in all sectors and levels of the government and hindered counternarcotics operations during 2000.

The DOAN, which receives significant training and support from the USG, is considered to be one of the best-trained and armed units in the National Civilian Police (PNC). Along with other GOG entities, it regularly cooperates with U.S. law enforcement agencies in combating narcotrafficking. However, it too has been adversely affected by constant turnover and a shortage of resources.

The Public Ministry's special narcotics prosecutor's offices, which receive USG training and assistance, continue to try cases and achieve convictions for minor narcotics offenders. Unfortunately, success in prosecuting major narcotraffickers has been limited. Intimidation, lack of resources, and corruption in the judiciary are the primary reasons for the lack of success in prosecuting and convicting major traffickers.

Guatemala grows minimal quantities of opium poppy and marijuana. Apart from crack and marijuana for local consumption, narcotics are generally not processed in Guatemala.

Guatemala has yet to pass any money laundering legislation due to major resistance from the banking and other sectors. The banking sector has very strict secrecy laws and allows the use of bearer shares.

Diversion of precursor chemicals is considered to be a growing problem in Guatemala. While the GOG has legislation identifying 46 precursor chemicals, it has yet to pass the implementing regulations that would make the legislation useful for enforcement and prosecution purposes. However, the GOG was successful in making one major precursor chemical seizure using the precursor chemical provisions provided for in the 1988 UN

Drug Convention.

The GOG has an aggressive demand reduction program aimed at a growing substance abuse problem. As part of its five-year master plan adopted in 1998, Guatemala's National Drug Coordinating Agency, SECCATID, has continued to work very closely with the USG and international organizations, including the UN and the OAS, in providing seminars, surveys, and education designed to decrease consumption and raise public awareness about the plague of consumption and narco trafficking.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In the year 2000, Guatemala signed three Letters of Agreement (LOAs) with the USG on counternarcotics and demand reduction. The GOG increased DOAN staffing and is currently recruiting a limited number of agents for new posts in some of the more remote areas of the country. The GOG, with U.S. assistance, has continued to improve the DOAN headquarters facility, along with the planning, command and control center, and a number of satellite offices. A major accomplishment was the recent activation of a direct communications link to U.S. counternarcotics information tracking services. It is hoped that this U.S.-funded initiative will allow the DOAN staff to plan and execute more effective counternarcotics operations.

In early 2000, the Guatemalan Congress decided that all U.S. military antinarcotics operations on Guatemalan soil required its advance approval. However, in August 2000, the Congress modified this decision by approving legislation that provided a blanket one-year authorization for such operations.

The Guatemalan Supreme Court, with U.S. assistance, has established a new program of special courts that will be staffed with the best qualified personnel available to handle sensitive cases that regular courts cannot. Two of these courts have already opened and one more is slated for the year 2001.

Accomplishments. Even though seizures decreased significantly in comparison with previous years, there were important seizures. In April 2000, DOAN seized 797 kilograms of cocaine that were concealed in electrical transformers. Information provided by the U.S.-supported Port Security Program (PSP) played a role in realizing this seizure. In March 2000, DOAN was able to seize a small aircraft with 214 kilograms of cocaine. This last year also saw the PNC and DOAN dismantle a large drug trafficking ring located in the Guatemala City International Airport.

Various USG agencies have also begun working with DOAN on forming a rapid response team that will randomly visit the ports, land border entry points, and highway checkpoints in an effort to increase seizures. The USG provided polygraph training to five PNC agents who are the nucleus of a vetting unit that will provide the PNC and DOAN an important and previously unavailable tool.

Illicit Cultivation and Production. While there has been no recent aerial reconnaissance to accurately evaluate the growing areas, the USG believes illicit cultivation is still quite low compared to the early 1990's, when Guatemala was a major producing country for opium poppy. During 2000 opium eradication totaled a single hectare. Marijuana cultivation continues to be a problem in the northern jungle areas along the borders with Belize and Mexico. The DOAN eradicated 32 hectares of marijuana in 2000 compared to 52 hectares in 1999. The lack of resources in general, and air assets in particular, has made eradication a difficult mission for the DOAN.

Sale, Transport, and Financing. The Pan-American Highway is a major conduit of illegal drugs traveling north to Mexico and eventually the U.S. Drugs also are transported to Europe through Guatemalan commercial maritime vessels. Earlier this year, Dutch police made a large seizure of cocaine that was concealed in a banana shipment from Guatemala. The DEA reports that the number of Guatemalan "mules" being caught in U.S. airports with cocaine and heroin in or on their bodies has increased greatly. U.S. law enforcement sources indicate that air transshipment of cocaine decreased, while shipment via boats increased in 2000. The use of commercial containers, both on land and through seaports, continues to offer the best opportunity for smuggling larger quantities of drugs through Guatemala.

Money Laundering. While recent statistics are unavailable, many believe that money laundering is on the rise in Guatemala. In November of 2000, the GOG ratified the Central American Convention for the Prevention of Money Laundering and Related Crimes. While this convention lacks teeth without the proper money laundering legislation, its ratification is an indication of the GOG's recognition of the need to take action. (For additional information see Money Laundering Section)

Asset Seizures. The GOG passed reforms to drug enforcement legislation in November 1998 to allow the use of seized assets by the police, and the DOAN is now using some seized vehicles to support their operational requirements. However, Guatemalan law still does not allow the DOAN to use monies seized in narcotics cases. The use of seized assets is still relatively new, and the procedures for using the assets are complicated, difficult to use and not transparent. The U.S. is currently developing a standard procedure for the DOAN, so that it can more easily and regularly apply for and receive the maximum amount of available seized assets.

Extradition. The extradition treaty between the GOG and the USG dates from 1903; a supplementary extradition treaty adding narcotics offenses to the list of extraditable offenses was adopted in 1940. Their use in recent years has required a significant expenditure of effort and time on the part of both the USG and the GOG. Despite limited success with formal extraditions, the GOG is sometimes able to expel/deport U.S. fugitives on the basis of violations of Guatemalan immigration laws.

Mutual Legal Assistance. The USG does not have a mutual legal assistance treaty with Guatemala.

Law Enforcement and Transit Cooperation. Guatemalan law enforcement representatives work enthusiastically with U.S. personnel and organizations to curtail the flow of drugs through Guatemala. Several U.S. law enforcement agencies have active collaborative relationships with Guatemalan law enforcement authorities. Guatemala continues to exchange information and maintain links with Joint Intelligence Coordination Centers (JICC) throughout Central America and with the El Paso Intelligence Center (EPIC). The Port Security Program (PSP), a self-financed program that fosters cooperation between the GOG, the USG and private shipping companies operating in Guatemala, continues to contribute to the counternarcotics effort. The program is funded by a fee levied on shipping companies and used to finance the program's day-to-day operations that include providing monetary and technical assistance to the DOAN agents who operate in the ports. The USG provides technical, logistical, and training assistance. Guatemala participated in two Mayan Jaguar combined maritime counterdrug operations with the U.S. Coast Guard.

Demand Reduction. The GOG is firmly opposed to illicit drugs and continues to support drug education and rehabilitation programs. In 2000, SECCATID implemented a variety of projects as part of their comprehensive demand reduction strategy. Through the National Program of Preventive Education, SECCATID trained 350 more instructors this year throughout the country using the "train the trainer" concept. SECCATID has also hosted over 700 parents in monthly drug education seminars throughout the country.

This year SECCATID published a booklet entitled "Manual for Teachers About Drug Prevention." The manual is now being distributed to schools throughout the country for use as part of the normal curriculum. SECCATID, with the help of local community involvement, also implemented a national awareness billboard campaign against drug consumption. This last year also saw the creation of an Ambulatory Drug Rehabilitation Program that has produced some very positive results. The program provides the only outpatient-based drug rehabilitation program in Guatemala. The program insists on addicts recognizing that they have a problem and also promotes family involvement in the rehabilitation program when possible.

Law Enforcement Efforts. The GOG continued efforts to modernize the PNC despite budget cuts. This year, they centered on investigative development, basic investigative training, crime scene management, updating the DOAN intelligence functions, creating the vetting unit, and fully establishing a counternarcotics command and control center. However, frequent turnover in the command structure created management problems that undermined the PNC's performance.

Corruption. Guatemala has signed, but not ratified, the Inter-American Convention Against Corruption. Corruption and intimidation in Guatemalan justice and law enforcement institutions continue to be serious concerns. Police are regularly accused of corruption, prosecutors mishandle cases, and some judges appear to be colluding with drug traffickers. For example, five narcotraffickers were released after having their case moved through a series of judges, with the last one reducing the charges and subsequently releasing the suspects without a proper legal basis. Even the Congress is not exempt from corruption, as 23 ruling party congressmen have been accused this year of altering financial details of a tax law after it had been approved by the general session. "Guategate," as the case is called, has occupied a tremendous amount of time of the anticorruption unit and the judiciary. GOG efforts to fight corruption have been generally ineffective and have contributed to disillusionment with the government's commitment to solving this problem.

The Public Ministry (MP), with USG assistance, opened the new Anti-Corruption Prosecutor's office in April 2000. The unit has since initiated almost a thousand cases against government officials. It remains to be seen whether these cases will result in convictions.

The USG funded the first ever Anti-Corruption Seminar for high-level GOG and regional leaders this year. The attendance was a veritable "Who's Who" of Guatemala. While immediate results are not expected, the fact that almost all high-level government officials attended and signed a resolution to fight corruption raises hopes that anticorruption efforts are going to intensify in the coming years.

Agreements and Treaties. Guatemala is a party to the 1961 UN Single Convention and its 1972 Protocol; the 1971 UN Convention on Psychotropic Substances; the 1988 UN Drug Convention; the Central American Commission for the Eradication of Production, Traffic, Consumption and Illicit Use of Psychotropic Drugs and Substances; and the Central American Treaty on Joint Legal Assistance for Penal Issues. Guatemala has also signed bilateral counternarcotics agreements, including information exchanges, with Mexico (1989), Venezuela (1991), Argentina (1991), Colombia (1992), Ecuador (1992), Peru (1994), and Spain (1999). While most GOG law enforcement efforts have been fully consistent with the goals and objectives of the 1988 UN Drug

Convention, some aspects of the Convention, such as the provisions on extradition and money laundering, have not been codified into law. Intermittent negotiations on a bilateral Maritime Counterdrug Agreement occurred between 1997 and 1999; however, there has been no progress since then. In December 2000, Guatemala signed the UN Convention Against Organized Crime.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. A U.S. regional project to begin tracking commercial freight is just coming online and is expected to help in countering this threat. U.S. efforts will continue to focus on developing an effective interdiction program and a more professional DOAN with effective intelligence capabilities. They also will focus on continued training and support for the narcotics prosecutors and members of the judicial system. The U.S. will continue to press the GOG to pass specific legislation to combat narcotrafficking and money laundering before they threaten the stability of Guatemala's fragile financial sector.

The Road Ahead. Now that the Portillo Administration has completed a full year in office, the problem of excessive turnover of counternarcotics personnel should be resolved. Since most of the new administration's legislative energies were devoted to domestic concerns in the past year, the GOG should find it easier to pursue some of the more complicated legislative and bilateral initiatives that are needed to successfully engage the narcotraffickers. The GOG antinarcotics forces will continue to develop qualitatively and quantitatively, with more effective investigative and law enforcement units to control transshipment, expanded case management and tracking, increased data collection and analysis capability, and greater regional cooperation.

The GOG plans to increase public education and demand reduction efforts, bringing in more private and public funding and expanding regional cooperation. Cocaine abuse, primarily crack, is expected to continue to grow as traffickers trade a percentage of cocaine shipments for transportation and security services. Domestic cocaine consumption will increase drug-related domestic crime, adding to the burden on a police force that is already struggling to cope with the current wave of violent crime that is blanketing the country.

Guatemala Statistics (1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Opium									
Potential Harvest (ha)	0	0	10	7	0	39	50	438	730
Eradication (ha)	1	1	5	3	12	86	150	426	470
Cultivation (ha)	1	1	15	10	12	125	200	864	1,200
Potential Yield (mt)	0.00	0.00	0.20	0.10	0.00	0.40	0.50	4	7.0
Cannabis									
Potential Harvest (ha)	unk	0	82	100	41	50	100	unk	80
Eradication	32	52	58	50	213	250	100	200	40

(ha)									
Cultivation (ha)	32	52	140	150	254	300	200	unk	120
Potential Yield (mt)	1	0	10	12	5	6	12		20
Seizures									
Cocaine (mt)	1.4	10.1	9.2	4.3	4.0	1.0	2.0	7.6	9.5
Cannabis (mt)	0.03	0.65	0.42	0.34	16.40	0.50	1.76	2.1	0.7
Heroin (kg)	9.30	52.00	3.65	16.20	7.80	0.00	0.00	0.00	0.001
Opium (kg)	1.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	
Arrests	842	472	928	188	189				

Honduras

I. Summary

Honduras remains a transit country for drugs, primarily cocaine, moving toward Mexico and the U.S. from South America. Evidence in 2000 did not support a finding that drugs entering the U.S. from Honduras were in an amount sufficient to have a significant effect on the U.S. However, the entire region of Central America, including Honduras, remains of concern to the U.S. Corruption is endemic and continues to undermine Honduran law enforcement and counternarcotics efforts. The Honduran Congress ratified a maritime counternarcotics agreement with the U.S. that will facilitate U.S. support for Honduran interdiction operations. The Honduran Congress also approved a constitutional judicial reform amendment designed to improve the effectiveness of the judiciary. The Government approved a counternarcotics master plan, but funds to implement it are limited. Both the Honduran military and Ministry of Security took a more active role in antidrug operations. The U.S. continues to provide funding, training, and technical support to improve Honduran law enforcement capabilities. Ensuring the detention, prosecution, and incarceration of major offenders, however, remains a challenge. Honduras is a party to the 1988 UN Drug Convention.

II. Status of Country

Honduras produces a limited amount of marijuana but is not a significant drug producing country. Its primary drug problem stems from the trafficking of hard drugs, in particular, cocaine, via air, land, and maritime routes. There are direct air and maritime links to U.S. cities and the Pan American Highway crosses southern Honduras. The Honduran police and Navy have limited maritime assets to counter narcotrafficking. The assassination in November 2000 of a drug smuggler by two Hondurans in the pay of Colombian traffickers, later shot to death by Honduran police, highlights the reality that international drug transporters are active in Honduras. U.S. law enforcement agencies believe money laundering in Honduras is increasing, although the country is not a major money laundering center.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The National Congress ratified an agreement with the U.S. to facilitate maritime counternarcotics cooperation, which is expected to go into effect in early 2001. The Government also approved a counternarcotics master plan. In late 2000, the National Congress approved a judicial reform constitutional amendment aimed at reducing the arbitrary administration of justice. These reforms have the potential to decrease opportunities for criminals to manipulate the judicial system but will require substantial political will to implement.

Accomplishments. As of December 1, 2000, the Honduran antidrug police, the (DLCN) and the National Preventive Police (PNP) had seized 1.139 metric tons of cocaine, 1,272 rocks of crack, and 2,550 pounds of marijuana. The DLCN and PNP also had made 892 narcotics-related arrests. The Public and Security Ministries and the Honduran Navy signed an agreement to establish a small maritime facility in Gracias a Dios Department. The Honduran police have begun to interdict cocaine transshipments through frontier posts, drawing on increased U.S. Government-provided counternarcotics training.

Law Enforcement Efforts. Counternarcotics operations remain a high priority for the Government of Honduras (GOH), but a lack of resources and training combine with ineffective institutions to hamper these efforts. There is mounting evidence of the penetration of law enforcement agencies by narcotraffickers and other criminals. For example, a DLCN unit arrested a police official assigned to Gracias a Dios Department found carrying cocaine from that region to La Ceiba. In another instance, the DLCN intercepted a large cocaine shipment in transit from San Pedro Sula to Guatemala by truck. Although they arrested the driver, he eventually gained his release through bribery.

Corruption. Corruption is arguably the single most serious impediment to more effective counternarcotics efforts and remains a major problem in all aspects of national life. The Minister of Security has proposed a series of measures to counter the influence of corruption on law enforcement and judicial authorities, but the National Congress has yet to enact any of them. The Government dismissed a number of officials suspected of involvement in corrupt practices, including the deputy national police commissioner, but has yet to conduct a wide-ranging investigation into criminal penetration of law enforcement and judicial units. Nationally elected officials enjoy legal immunity for all acts while in office, creating a perverse incentive for people involved in illicit activity to run for office and complicating enforcement efforts against suspected illegal narcotics activity.

Agreements and Treaties. The Honduran Government is an active member of the Inter-American Drug Abuse Control Commission (CICAD). Honduras also hosts the Regional Center for Legal Development and Judicial Cooperation in Central America, which is headed by a Nicaraguan. Honduras has counternarcotics agreements with the U.S., Belize, Colombia, Jamaica, Mexico, Venezuela, and Spain. The U.S. and Honduras continue to negotiate a stolen vehicles treaty. The U.S. and Honduras concluded a maritime counternarcotics agreement that is to enter into force in early 2001. The agreement will allow U.S. vessels to operate in Honduran waters in support of Honduran law enforcement efforts. In addition, the agreement provides for information exchange and the coordination of joint counternarcotics activities. A 1909 extradition treaty between the U.S. and Honduras is in force, however, the 1982 Honduran Constitution prohibits extradition of Honduran nationals. In December 2000, Honduras signed the UN Convention Against Transnational Organized Crime.

Cultivation/Production. Marijuana remains the only illegal drug known to be cultivated in Honduras. The GOH lacks the technical ability to determine the size of the crop and conducts eradication operations on an intermittent basis. During 2000, the GOH eradicated 589,027 marijuana plants.

Drug Flow/Transit. The vast majority of drugs entering Honduras are destined for the U.S., although evidence in 2000 did not support a finding that the quantity of drugs that entered the U.S. from Honduras was sufficient to have a significant effect on the U.S. There are increasing reports that traffickers are using drugs, rather than currency, to pay local contractors for services. The U.S. law enforcement community believes the volume of drugs transiting Honduras increased in 2000, although it is difficult to quantify the amounts involved since most shipments go undetected. Drug smuggling through Honduran ports on the Caribbean has encouraged the port authority to work with private companies and U.S. officials to develop a port security program. Commercial and private vehicles continue to be used to smuggle cocaine on overland routes. Illegal landings in Gracias a Dios Department also are used to deliver cocaine for transshipment via small boat to La Ceiba for embarkation on commercial vessels, or via truck to Guatemala.

Asset Seizure and Forfeiture. The National Congress enacted an asset seizure law in 1993 that subsequent Honduran Supreme Court rulings substantially weakened. The draft legislation mentioned above, however, strengthens the asset seizure provisions of Honduran law.

Precursor Chemical Control. The GOH continues to try to limit the illicit introduction of precursor chemicals into the country. However, comprehensive regulations to control the sale of chemicals necessary for the processing of illegal narcotics have never been developed. There is no evidence to suggest the presence of large-scale narcotics labs in Honduras.

Domestic Programs/Demand Reduction. Alcohol is by far the most abused drug in Honduras, followed by—to a much lesser degree—cocaine, marijuana, and inhalants. Crack cocaine use is increasing, however, particularly along the north coast, in the Bay Islands and in urban centers. Reports of so-called designer drugs such as "ecstasy" have appeared in the press.

Honduran government efforts to fight drug abuse lack structure and sufficient funding to have much of an impact, and demand reduction has not traditionally been a part of Honduran counternarcotics efforts. Until recently, drug abuse was rarely addressed by politicians or raised as an issue in the public domain. More

attention has been given to the issue in recent years, but drug abuse is still viewed as merely one among many public health and social problems linked to unemployment, poverty, and the growing number of youth gangs or "maras."

The Honduran Government's demand reduction entity "IHADFA"—the Institute for the Prevention of Alcoholism and Drug Addiction—conducts prevention programs throughout the country. IHADFA also chairs the umbrella groups "CIHSA"—the inter-institutional coordinating body for addiction, through which it oversees programs operated by the ministries of public health and education, as well as by non-governmental organizations. However the majority of CIHSA members are social development organizations, many of them religion-based, for which prevention is only one of many objectives.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. counternarcotics initiatives focused on gaining ratification by the Honduran Congress of the maritime counternarcotics accord and implementation of bilateral counternarcotics and anticorruption projects. The U.S. has signed a series of bilateral agreements with key Honduran Government agencies to provide anticorruption assistance by funding the acquisition of computers and conduct training. The U.S. Customs Service sponsored a series of anticorruption conferences. The U.S. and Honduras continued to negotiate the language of a proposed stolen vehicles agreement.

Bilateral Cooperation. The canine program moved forward, with four dogs delivered and four handlers trained in 2000. The U.S. Customs Service is to train five more handlers and deliver five dogs in 2001. Three vehicles to transport canine units were delivered to the Public Ministry counterdrug unit in December. Plans for constructing a counternarcotics and customs checkpoint on the Pan American Highway were also prepared, with completion anticipated in August 2001. The U.S. provided two refurbished 36-foot patrol boats for counternarcotics purposes. The U.S. will provide financial support to the DLCN, Ministry of Security, and Honduran Navy to establish a small maritime facility in Gracias a Dios Department, a major narcotrafficking center. Representatives from the DLCN, the police counterdrug unit, and the Public Ministry's organized crime unit attended a U.S.-funded Advanced Narcotics Investigators Course in Guatemala.

Honduran demand reduction programs are benefiting from a three-fold expansion in U.S. funding compared to FY 1999. The U.S. Embassy cooperates with IHADFA by funding educational and community-based programs for children at risk and "maras" (youth gangs). These programs include workshops and training seminars for parents, teachers, and community leaders, and the development of alternative activities for at-risk populations. Honduran maritime forces joined the U.S. Coast Guard in several maritime counterdrug operations such as OP Lifesaver and OP Seguridad.

The Road Ahead. The Honduran Government remains committed to the battle against the use or transport of illegal drugs. The Security Ministry has taken a keen interest in bilateral counternarcotics cooperation following the appointment of a new Minister. The Honduran military has begun to assume a greater role in counternarcotics affairs, following the 1999 constitutional amendment that established a military counternarcotics mission. While the Government has approved a counternarcotics master plan, funding is limited and U.S. assistance to accomplish key goals will remain crucial. Corruption and drug-related violence continue to pose a major challenge to effective law enforcement.

Mexico

I. Summary

Mexico faces a broad array of drug-related problems including the production and transshipment of illicit drugs, money laundering, illicit firearms trafficking, and growing consumption. The Government of Mexico (GOM) remained committed its longstanding policy of combating drug trafficking and related crimes, and to close cooperation with the U.S. and other countries in the Hemisphere. In its struggle against drugs, Mexico still faces daunting challenges. The drug trafficking organizations that control the production and shipment of drugs, along with related money laundering and criminal activities, remain powerful. These groups are well organized and adept at corrupting or intimidating public officials. Corruption of the law enforcement sector by drug trafficking organizations remains a serious institutional problem. These organizations likewise pose a serious threat to the United States, controlling drug distribution networks throughout much of the country.

Mexico's counterdrug program achieved a number of important successes in 2000. Mexican authorities arrested two key members of the Tijuana based Arellano Felix Organization (AFO). Mexico's aggressive eradication program, coupled with drought in the principal drug cultivation areas, resulted in record low levels of opium poppy production. Bilateral counterdrug cooperation was characterized by improved information sharing and the establishment of formal mechanisms to achieve shared goals. The two governments collaborated on a bilateral evaluation of illicit crop cultivation. Bilateral maritime cooperation advanced with the creation of a technical working group. In an important decision announced January 2001, the Mexican Supreme Court affirmed the GOM's authority to extradite Mexican nationals. This, along with the Mexican

Senate's December 2000 ratification of the temporary surrender protocol to the bilateral extradition treaty, should improve cooperation in bringing drug traffickers and other criminals to justice.

In July 2000, Vicente Fox Quesada was elected president of Mexico on a platform of restoring public security and putting an end to corruption. The Fox Administration has pledged its commitment to combating drug traffickers and ending impunity. It has proposed several structural changes to Mexico's law enforcement institutions, including the creation of a new Public Security Ministry and professionalization of the national police forces. These commitments offer unprecedented opportunities for greater cooperation and mutual assistance with the U.S. However, corruption and the ability to implement proposed reforms present significant hurdles for success of the GOM's counterdrug strategy.

II. Status of Country

Mexico is the principal transit route for U.S.-bound cocaine from South America. DEA estimates that 55 percent of the cocaine sold in the U.S. transits Mexico. Cocaine and other drugs are smuggled via every conceivable commercial and non-commercial conveyance: air or maritime containerized cargo; fishing vessels; flights to clandestine landing points; and airdrops to go-fast boats off Mexican coasts. Human "mules," including undocumented migrants and children who backpack or strap the drugs to their bodies, also transport smaller quantities of the contraband.

Although only one suspect flight originating outside Mexico was detected in 2000, hundreds of internal flights moving drugs, primarily marijuana, from South/Central Mexico to the border overwhelmed limited law enforcement air and land assets. During 2000, the eastern Pacific coast of Mexico continued to be the favored route for maritime trafficking because of the vast area and a lack of natural choke points. In addition, there was a resumption of non-commercial vessel movement to Mexico's Yucatan Peninsula through the Western Caribbean. Maritime trafficking can involve single or multiple vessels, go-fast boats, fishing vessels and commercial carriers. Traffickers continued to use air shipments, although they appeared to be less frequent than maritime deliveries, as well as the overland route via Mexico's southern border from Guatemala and Belize.

Mexico-based transnational criminal organizations have become the largest distributors in the U.S. of methamphetamine and its precursor chemicals. The rate of increase in methamphetamine seizures—638 kilograms for 2000 versus 358 kilograms for 1999 and 96 kilograms for 1998—suggests a growing involvement by Mexican traffickers in this trade that targets the U.S. Seizures of Mexico-bound ephedrine, the primary ingredient used to manufacture methamphetamine and similar stimulants, have focused attention on the magnitude of ephedrine acquisition by Mexican organized crime groups. Mexico is also a transit point for potassium permanganate, used in the purification process for cocaine.

Mexico's eradication program is one of the oldest and largest in the world. The military and Attorney General's Office (PGR) continued their successful manual and aerial eradication programs, posting figures comparable to 1999's record gains. Most drug crop cultivation occurs in small fields located in remote areas to evade detection and eradication. Since lands used for illicit cultivation are subject to seizure, many growers use public or communal lands to avoid tracing ownership.

Although Mexico produces only about two percent of the world's opium, nearly its entire harvested illicit crop is converted into heroin and shipped to the U.S. USG estimates of opium poppy production in Mexico during the past decade show potential yields of 4 to 6 metric tons of heroin annually. GOM eradication efforts, coupled with a severe drought, caused cultivation to plummet almost 50 percent to a record low—to 1,900 hectares—and potential heroin production to fall from over 4 metric tons in 1999 to only 2.5 metric tons in 2000.

During the past three years, marijuana cultivation has yielded an estimated 6,700–8,600 metric tons annually. In 2000, net marijuana cultivation showed no significant change, increasing by only 200 hectares to 3,900 over 1999. As a result, potential marijuana production increased from 6,700 metric tons in 1999 to 7,000 metric tons last year. In crop field surveys during the past three years, a more robust plant has been observed throughout Mexico. The plant grows to a height of two meters and has more flowering area, the most potent part of the plant. Mexican agronomists assess that the plant has higher levels of THC and, because of resin-coated foliage, is more resistant to herbicides.

Drug related violence in Mexico is on the increase. In the past, drug-related violence was mostly confined to rivalries between trafficking organizations. These organizations, however, have demonstrated blatant disregard for human life, as executions of law enforcement personnel, government officials, and innocent bystanders have increased.

In recent years, international money launderers have turned increasingly to Mexico for initial placement of drug proceeds into the global financial system. Measures enacted by Mexico in 1996 provide the legal framework for more effective control of money laundering. Recent legislative modifications and regulations

that lower the CMIR threshold (inbound or outbound declarations of large amounts of currency or monetary instruments) and impose requirements for suspicious transaction reports, currency transaction reports, "know your customer", and record keeping requirements on non-bank financial institutions (currency exchange houses, credit institutions, stock market, insurance companies, and bail bond companies) should improve the GOM's ability to prosecute money laundering cases.

In January 2000, the GOM signed a Memorandum of Understanding with the U.S. to facilitate tracking of the movement of large sums of money from the U.S. to Mexico. In June 2000, Mexico became a member of the Financial Action Task Force (FATF), a global body dedicated to fighting money laundering. In November 2000, the Mexican Secretariat of Finance and Public Credit proposed to regulate non-bank financial institutions such as foreign exchange houses (casas de cambio). In January 2001, Mexico enacted domestic legislation to strengthen reporting of large value domestic currency transactions. However, enforcement continues to be weak and convictions scarce. Additional efforts need to be directed towards developing cooperative relationships among law enforcement, financial regulators, and the financial sector to reduce financial system vulnerabilities.

In recent years, Mexican law enforcement agencies intensified counterdrug enforcement while increasing information exchange with the U.S. and other international partners. Efforts to arrest members of the Baja California-based Arellano Felix Organization (AFO) since March 2000 have been relatively successful. The GOM still lacks the broad institutional capability to fully implement its antidrug legislation and national drug strategy. Chronic problems of corruption, weak police and criminal justice institutions, budget constraints, and severe poverty in rural areas where drug crops are cultivated hamper Mexico's ability to combat drug trafficking.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Mexico's national antidrug strategy encompasses the full range of actions called for in the 1988 UN Drug Convention and highlights the importance of international cooperation, particularly with neighboring states.

In July, Vicente Fox Quesada was elected president on a platform that emphasized improved efforts against organized crime and elimination of official corruption. The Fox administration, which took office December 1, 2000, has outlined an ambitious plan for strengthening and restructuring federal law enforcement agencies, in particular strengthening the prosecutorial role of the PGR and transferring key police functions from the Secretariat of Government to a new Secretariat for Public Security and Justice. The administration has expressed its intention to professionalize and strengthen the role of the Federal Judicial Police, to be renamed the Federal Investigation Agency. A cabinet-rank Comptroller General will focus on white-collar crime by public officials and chair an inter-agency, cabinet-level panel on anticorruption. In late December, Fox announced his intention to deploy at least 2,000 Federal Preventive Police (PFP) to Tijuana to "put an end to the power exercised by the Arellano Felix Organization."

Appeal provisions provided in the 1999 Asset Seizure and Sharing Law continue to hamper asset forfeiture by allowing drug traffickers to file prolonged legal appeals against GOM efforts to seize their properties.

Institutional Development. Institutional weaknesses within national law enforcement organizations remain a serious obstacle to the efficiency and reliability of Mexican police forces. In 2000, a renewed focus by the GOM on the professionalization of its law enforcement agencies was accompanied by increased collaboration with the U.S. on training. The PGR, PFP, and the National Public Safety System (which coordinates training for state police) were more proactive in coordinating a wide range of public security and counterdrug training opportunities, including courses on ethics, human rights, "train-the-trainer" and basic investigation. The GOM gave special emphasis to counterdrug training. Approximately 4,000 students participated in at least 122 U.S. sponsored courses offered through Mexican law enforcement training institutions.

A new federal law enforcement entity for crime prevention, the PFP, operational since mid-1999, is charged with prevention of federal crimes such as terrorism, smuggling, kidnapping, arms trafficking, drug trafficking, and protection of federal installations such as airports, ports, highways, and borders. Intelligence gathering and analysis to support this mandate is a major operational tool of the new force, whose commanders and agents are among the highest paid police officials in Mexico.

Major improvements to the infrastructure of other key government agencies will support Mexican efforts to combat drug trafficking and related crimes. The National Public Safety System invested approximately \$1 billion U.S. dollars in both state and federal law enforcement agencies in 2000. The GOM invested in several new tools for law enforcement, including: a nationwide fingerprint database which consolidated over 500,000 paper records; and the purchase of 24 Bell helicopters for drug crop eradication by the Mexican Attorney General's office. In the area of money laundering, the Secretariat of the Treasury completed a major project to allow automated filing of Mexican financial sector reports from banks. This effort will greatly speed the receipt and analysis of data used to identify and track money-laundering operations.

The Office of the Special Prosecutor for Drug Crimes (FEADS) received a major upgrade to its communications system and computer network. The USG donated four ion scanners to assist FEADS in detecting minute traces of drug residue. The scanners have already been used to establish probable cause on one maritime smuggling event.

The Mexican Secretariat of National Defense (SDN) spends approximately 16 percent of its budget on eradication and interdiction. According to media reports, the SDN will receive a budget increase of 12 percent in 2001 to further support counterdrug efforts.

Law Enforcement Efforts. Mexico's antidrug enforcement efforts included organized crime investigations, the arrest of several important traffickers, sustained marijuana and poppy eradication, money laundering investigations (see money laundering section of this report), chemical diversion control (see chemical control section of this report), and increased bilateral cooperation in air, land and maritime drug interdiction.

Arrests. The GOM arrested a number of important traffickers in 2000, most significantly two high level associates of the Arellano Felix Organization. On May 3, 2000, the Mexican military arrested Ismael "El Mayel" Higuera Guerrero, chief operations officer for the AFO, in Tijuana. On March 11, 2000, Mexican authorities arrested Jesus "Chuy" Labra Aviles, the AFO financial manager. Other key AFO collaborators captured in 2000 included Enrique Harari Garduno, a former Federal Highway Police director who provided protection and insider information to the AFO; Carlos Ariel Charry Guzman, a Colombian affiliated with the Revolutionary Armed Forces of Colombia (FARC), who served as a go-between for Colombia-Mexico drug shipments for the AFO; and Ismael Higuera Avila, son of Ismael Higuera, who was arrested in Ensenada in August and was formally arraigned on drug trafficking charges a month later.

Notable also was the arrest of Agustin Vazquez Mendoza, captured in the state of Puebla in July 2000, after a six-year manhunt by U.S. and Mexican law enforcement agents. Vasquez Mendoza allegedly was responsible for the 1994 killing of a DEA agent in Phoenix, Arizona, and his arrest would not have occurred without significant sustained support by Mexican federal and state police agents. His extradition to the U.S. is pending appeal.

In addition, a joint U.S.-Mexican investigation—Operation Tar Pit—resulted in the arrests of significant heroin traffickers Isaías and Juan Hernandez Ibarra. Extradition requests are pending. In November 2000, Hugo Baldomero Medina Garza, a key figure of the Gulf Cartel, was arrested in Tampico, Tamaulipas on charges of drug trafficking, illegal arms possession, and money laundering. Mexican authorities are actively pursuing his prosecution. In March of 2000, GOM vetted units arrested significant Mexican drug trafficker Olegario Meraz Gutierrez, cousin of major trafficker Jose Albino Quintero Meraz.

Although none of the leading Mexican drug traffickers was arrested or convicted in 2000, these actions represent significant accomplishments for Mexico's counterdrug agencies, both in arresting and initiating prosecution of high-level traffickers. Each of these arrests involved successful operational planning and execution, and a new level of interagency cooperation.

Seizures. Mexican law enforcement and military entities reported the following (provisional) seizure and destruction statistics:

- 23.2 metric tons of cocaine (31 percent decrease over last year)
- 2005.1 metric tons of marijuana (37 percent increase)
- 302.0 kilograms of heroin (17 percent increase)
- 409.3 kilograms of opium gum (49 percent decrease)
- 638.2 kilograms of methamphetamine (78 percent increase)
- 23 clandestine laboratories (64 percent increase)

Asset Seizure & Forfeiture. In February 2000, GOM investigations identified and dismantled a complex money laundering operation connected to the Amezcua Contreras organization. Through the investigation, the PGR was able to identify and seize 70 properties, including bank accounts, 20 companies and six aircraft.

In May 2000, the GOM seized 20 properties associated with Ismael Higuera Guerrero. In June 2000, raids conducted on multiple properties resulted in the seizure of five ranches presumably owned by Ismael Zambada Garcia in Sinaloa. Zambada Garcia is a major trafficker previously associated with the Juarez cartel. In July 2000, Renato Tostado Felix, an alleged gunman for Juan Jose Esparragoza Moreno, was arrested and four properties and bank accounts were seized. Esparragoza, known as "El Azul," is a major trafficker and former member of the Juarez cartel.

Mexican authorities seized approximately 8 million U.S. dollars in AFO property following the arrests of Jesus "Chuy" Labra and Ismael Higuera Guerrero.

As a result of combined operations, the PGR and U.S. Customs Service seized over 20 aircraft involved in drug trafficking in northern Mexico.

Illicit Cultivation and Production. Mexico's aggressive eradication campaign, coupled with drought conditions in 1999 and 2000, has reduced net cultivation of opium poppy to record lows. Illicit cultivation is characterized by small fields in remote locations on public lands and is widely dispersed across a large potential growing area.

In 2000, the GOM eradicated 15,621 hectares of opium poppy (up from 15,470 in 1999) and 31,019 hectares of cannabis (down from 33,583 in 1999). The GOM does not produce estimates of illegal drug crop cultivation; however, U.S. experts estimate that Mexico's net opium drug crop production in 2000 was 24 metric tons of opium gum compared to 43 metric tons in 1999 and 60 metric tons in 1998. Net marijuana production was 7,000 metric tons of cannabis, compared with 6,700 metric tons in 1999 and 8,300 metric tons in 1998. Marijuana production declined throughout the 1990's while opium poppy production, which had fluctuated roughly between 4,000 and 5,000 hectares of net cultivation, dropped to its lowest level ever.

Cooperation between GOM and U.S. entities involved in eradication and assessment of drug crop production has been excellent. The two governments held frequent exchanges of information regarding new types of drug crops resistant to herbicides and eradication operations and in 2000 initiated a bilateral study to refine the estimated opium yield of Mexican poppy plants.

Extradition. In 2000, the GOM extradited 12 fugitives to the United States as compared to 14 in 1999. Of the 12, six were sought on drug-related charges (three U.S. citizens, two Argentines and one Mexican national). No major drug trafficker was extradited in 2000.

In January 2001, the Mexican Supreme Court ruled that the GOM, in its discretion, could extradite Mexican nationals pursuant to the existing U.S.-Mexico Extradition Treaty. This decision, which impacts a large number of outstanding cases, resolves a perceived contradiction between the Mexican Penal Code, Mexican extradition law, and the extradition treaty over whether Mexican citizens must be tried in Mexico for crimes committed abroad or may, "in exceptional cases," be extradited for trial in the country whose laws have been violated by their criminal activities. Despite this perceived contradiction, the GOM extradited seven Mexican nationals and one dual U.S.-Mexican national to the United States in cases it deemed exceptional between 1996 and 2000. However, during the same time period, Mexican intermediate appellate courts entered nonappealable release orders in favor of two significant drug-trafficking fugitives, Oscar Malherbe and Jaime Gonzalez-Castro, based on findings that the jurisdiction of Mexican courts to prosecute Mexican nationals for offenses committed abroad preempted any discretion of the Mexican executive branch to extradite them.

Notwithstanding the favorable Supreme Court decision on the nationality issue, adverse lower court decisions on other issues continue to impede the extradition process. In fact, in 2000, four fugitives (three wanted for narcotics trafficking and one for money laundering) were released after Mexican courts ruled against U.S. extradition requests. Most significant is the issue of life imprisonment, which was the basis for the 2000 release of narcotics trafficker Jaime Ladino-Avila after a court ruled that his potential sentence of life imprisonment in the United State violated the Mexican Constitution's prohibition against cruel or unusual punishment. While a battery of Foreign Ministry and judicial opinions throughout 2000 reached the opposite conclusion of the Ladino court, underscoring that the Mexican Constitution contemplates imprisonment and that potential life imprisonment abroad should not frustrate the extradition process, the issue remains to be resolved by the Mexican Supreme Court. An unfavorable decision by the Supreme Court could extend to all extradition cases where a fugitive, regardless of nationality, faces a potential life sentence in the United States.

As of December 31, 2000, there were 51 persons in Mexican custody pending extradition to the United States. This group includes drug related defendants Agustin Vasquez Mendoza, wanted in connection with the 1994 murder of DEA agent Richard Fass; Ismael Higuera Guerrero, a top lieutenant of the AFO; and the brothers Isaias and Juan Hernandez Ibarra, major heroin traffickers; and Jesus Amezcua Contreras, a noted methamphetamine trafficker. Unfortunately, the extradition case against Jesus Amezcua's brother, Luis Amezcua, was dismissed in January 2001 by a Mexican court due to lack of active pursuit by the GOM, but he remains in custody on Mexican charges.

Demand Reduction. Mexico faces an increased drug abuse threat related to narcotrafficking. A GOM research study shows that Mexican cocaine consumption has tripled in five years. An estimated 2.5 million Mexicans used illegal drugs in 1998. The third annual U.S.-Mexico Binational Demand Reduction Conference was held in April 2000 in Phoenix, AZ. Experts in treatment and addictions from both nations have established an ongoing dialogue on all facets of drug consumption and treatment. The Mexican government has given special attention to the northern border where the incidence of drug abuse is as much as three times the national average. Demand reduction projects in the border cities of Tijuana and Ciudad Juarez have sought alliances with similar efforts in adjacent U.S. cities.

In June 2000, the GOM named a "drug czar for demand reduction," who brought new attention and focus to federal efforts to reduce drug use. The czar also assumed the helm of the National Council Against Addictions (CONADIC), which was elevated to the Under-Secretary level within the Secretary of Health. CONADIC has since been reorganized and has greatly decentralized the decision making process to state and local governmental

and NGO entities. A national media campaign against illegal drug use, alcohol abuse, and tobacco consumption was launched, and an advisory board and trust fund were established to support demand reduction projects.

Corruption. Pervasive corruption in Mexican government institutions remains the greatest challenge facing the GOM in its efforts to fight drug trafficking and organized crime. Long term efforts by the GOM to address the climate of corruption have been stymied by administrative shortcomings in its law enforcement agencies such as a lack of police operational funds, lack of equipment and training, low salaries, and limited career trajectories. Drug money further corrodes an already weak culture of law enforcement. Despite aggressive efforts during the past two years to establish a vetting process for federal police agents, the GOM made little progress against drug related corruption in 2000.

A joint U.S.–Mexico effort to create within the PGR specially vetted counterdrug units insulated from corruption has not lived up to its potential. However, they continue to provide the best option available for eliminating the existence and toleration of corruption within the law enforcement sector.

Notable instances that appear to be related to law enforcement corruption which occurred in 2000, include:

- In March, the Chief Administrative Officer of the PGR, Juan Manuel Izabal Villicana, committed suicide shortly after \$700,000 USD was discovered in his safety deposit box and additional money was found in other safety deposit boxes. One of Izabal's deputies, Jorge Francisco Miranda Noricumbo, director of criminal assets seized by the PGR, was briefly detained and is now free on bail. While the investigation is underway, the incident further undermined public confidence in government institutions.
- In April 2000, two senior PGR prosecutors and one military officer were murdered. The loss of these officials who were aggressively investigating the AFO was a major blow to Mexican counterdrug efforts. Four federal police agents believed to be working for the AFO were arrested in connection with the murders, and the chief suspect in the case, FEADS Commander Cesar Jimenez, is a fugitive.
- On August 31, two senior military officers, GEN Mario Acosta Chaparro and GEN Francisco Humberto Quiros Hermosillo were arrested and charged with links to the Amado Carillo Fuentes trafficking organization.

The GOM has established several programs to deal with corruption. The National Public Safety System has established a national police registry to prevent police officials dismissed for corruption from being hired by another law enforcement entity. Additionally, the PGR's employee suitability unit, the Confidence Control Center, conducts background checks and polygraphs on all federal prosecutors, police agents, forensic experts, and pilots assigned to counterdrug duties. Employees who are removed through due process after failing the screening, or who are found to be corrupt or incompetent, have no right to reinstatement, although under certain circumstances they may be compensated for their dismissal.

President Fox has appointed Francisco Barrio Terrazas, the former governor of Chihuahua, as an anticorruption czar, with broad authority to establish anticorruption programs in federal agencies. As Secretary of the Controller and Agency for Administrative Development (SECODAM), Barrio also has oversight over Inspector General-type audits of federal agencies. SECODAM focuses primarily on white-collar corruption, management training and internal controls, and can levy administrative sanctions against corrupt officials.

Agreements and Treaties. Mexico is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Drugs as amended by the 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. It also subscribes to regional antidrug commitments, including the 1996 Anti-Drug Strategy in the Hemisphere and 1990 Declaration of Ixtapa, which commit signatories to take strong action against drug trafficking, including controlling money laundering and preventing chemical diversion. Mexico has bilateral narcotics accords with 32 countries.

The U.S.–Mexico extradition treaty has been in force since 1980. A U.S.–Mexico protocol to the extradition treaty permitting the temporary surrender for trial of fugitives who are serving a sentence in one country but also are wanted on criminal charges in the other was approved by the U.S. Senate in October 1998 and ratified by President Clinton in January 1999. The Mexican Senate approved the protocol in December 2000, and its entry into force is anticipated in early 2001.

Bilateral Cooperation. The U.S. and Mexico cooperate in a range of bilateral counterdrug and law enforcement fora. Senior bilateral entities include the Legal Working Group of the Binational Commission chaired by the Attorneys General of both countries and the High-Level Contact Group on Drug Control (HLCC), headed by the Office of National Drug Control Policy (ONDCP), the U.S. Attorney General, the Mexican Foreign Secretary, and the Mexican Attorney General. The HLCC met in April and in August 2000 to report on progress made by its five working groups (money laundering, demand reduction, arms trafficking, interdiction) to review action plans and goals, and to develop priorities for future cooperation. The Senior Law Enforcement Plenary Group also continues its regular meetings to monitor and guide bilateral actions at the practical and operational level.

Military to Military Cooperation. The Mexican military has been more open than at any time in recent memory

and has pressed for expanded cooperation in overland interdiction and increased USG-funded training. A visit to the U.S. by then-Secretary of National Defense Cervantes in January 2000, was followed by visits to Mexico by the Chairman of the Joint Chiefs, J5 and the U.S. Army Chief of Staff.

Money Laundering. Despite the legislative and regulatory advances of the past few years and enhanced domestic and international cooperation, effective implementation of Mexico's anti-money laundering program remains weak. Some financial institutions, such as the "casas de cambio" are exempt from the CTR record keeping and reporting requirements, although this may well change in 2001 as Mexico recognizes and plugs this loophole.

Maritime Interdiction. In April 2000, under the auspices of the HLCG, the U.S. and Mexico established an operationally focused Interdiction Working Group to exchange drug interdiction information that has improved communications and cooperation. In October, the group adopted a protocol to facilitate communications between maritime interdiction elements of both countries. Although multi-ton maritime seizures are down, maritime coordination in "at sea" operations and patrolling has increased significantly.

In November, the U.S. and Mexico held a training exercise in post-seizure analysis for agents and prosecuting attorneys of the Mexican counterdrug agency (FEADS), PFP, Secretariat of Communications and Transportation (SCT), and officials from the U.S. Coast Guard, DEA, FBI, and U.S. Attorney's office. The highlights of the exercise were the use of the ion scanner, crew interview techniques, and detection of false compartments on maritime vessels. A joint session given by Mexican and U.S. prosecutors on protecting the chain of evidence for case prosecution served to educate participants on the needs of judicial officials in both the U.S. and Mexico.

Significant maritime seizures in 2000 included: 5.5 metric tons cocaine, F/V Valeria (January 25); 2.4 metric tons cocaine, go-fast (March 29); 3.5 metric tons cocaine, F/V Top Flight (June 18); 2.4 metric tons cocaine, G/F Rosita (August 21); 1.378 kilograms cocaine, go-fast (October 14); 3.2 metric tons cocaine, go-fast (November 28).

Judicial Exchanges. The U.S.-Mexico Judicial Exchange Program, coordinated by a Binational Committee of Judges and the National Center for State Courts (NCSC), has helped to increase communication and mutual understanding among the judiciaries of the two nations. Over 500 Mexican judges have participated in U.S.-sponsored conferences, seminars, training courses, and graduate programs in the past three years.

In addition, USAID's Rule of Law program has worked closely with GOM entities to develop and strengthen justice sector institutions. Initiatives undertaken in 2000 include: 1) a Judicial Masters program developed by the National University of Mexico (UNAM); 2) a diagnostic of Mexican state courts completed by UNAM and used by President Fox's Transition Team as a source for future policies regarding the Judicial Branch; and 3) a community mediation center in the state of Jalisco established by the Center for Attention to Victims of Crime (CENAVID), a local NGO, to demonstrate how mediation can improve the quality of legal aid services for the poor.

IV. U.S. Policy Initiatives and Programs

As neighboring states facing a common threat, each country's antidrug efforts are directly affected by the policies and efforts of the other. Therefore, both the U.S. and Mexico have sought, through bilateral fora such as the HLCG and Senior Law Enforcement Plenary, and through the Bi-National Drug Strategy, to construct complementary programs and policies. U.S. drug control policy in Mexico is aimed at supporting political commitment and strengthening the institutional capability of the GOM to take effective measures against the production and trafficking of illicit drugs and related crimes. The USG seeks to work collaboratively with Mexico to apprehend and prosecute the leaders of the transnational criminal organizations, to disrupt or dismantle cartel operations, to combat money laundering, arms trafficking, and precursor chemical diversion, and to reduce the demand for drugs.

Cooperative initiatives along our common border are a priority for both nations. In addition, the U.S. seeks to support the GOM's efforts to strengthen institutions, to improve training for its personnel, to modernize the justice sector, and to promote anticorruption reforms. Critical to this success is the identification and prosecution of corrupt law enforcement, military, political, and business leaders who protect traffickers.

The Road Ahead. Mexico and the U.S. will continue to cooperate in a broad spectrum of counterdrug activities, including those targeting drug abuse, trafficking and production. The effectiveness of national and bilateral efforts against drug crimes will depend largely on demonstrable progress in disrupting and dismantling transnational narcotrafficking organizations. This includes apprehending, prosecuting and convicting major drug traffickers, and exposing and prosecuting individuals and businesses involved in providing critical support networks such as money laundering and front companies, security transportation, and warehousing.

Continued measurable progress in reducing the production of illicit drugs and the flow of such drugs through

Opium									
Potential Harvest (ha)	1,900	3,600	5,500	4,000	5,100	5,050	5,795	3,960	3,310
USG Estimated Impact ¹ (ha)	7,600	7,900	9,500	8,000	7,900	8,450	6,620	7,820	6,860
Eradication (ha)	15,300	15,469	17,449	17,732	14,671	15,389	11,036	13,015	11,583
Cultivation (ha)	9,500	11,500	15,000	12,000	13,000	13,500	12,415	11,780	10,170
Potential Yield (mt)	25	43	60	46	54	53	60	49	40
Cannabis									
Potential Harvest (ha)	3,900	3,700	4,600	4,800	6,500	6,900	10,550	11,220	16,420
USG Estimated Impact ¹ (ha)	13,000	19,400	9,500	10,500	12,200	11,750	8,495	9,970	12,100
Eradication (ha)	33,000	33,583	23,928	23,576	22,961	21,573	14,227	16,645	16,872
Cultivation (ha)	16,900	23,100	14,100	15,300	18,700	18,650	19,045	21,190	28,520
Potential Yield (mt)	7,000	6,700	8,300	8,600	11,700	12,400	5,908	6,283	7,795
Seizures									
Opium (mt)	0.27	0.80	0.15	0.34	0.22	0.22	0.15	0.13	0.17
Heroin (mt)	0.268	0.258	0.120	0.115	0.363	0.203	0.297	0.062	0.097
Cocaine (mt)	18.3	33.5	22.6	34.9	23.6	22.2	22.1	46.2	38.8
Cannabis (mt)	1,619	1,459	1,062	1,038	1,015	780	528	495	405
Methamphetamine (mt)	0.555	0.358	0.096	0.039	0.172	0.496	0.265	—	—
Arrests									

Nationals ²	10,771	10,261	10,034	10,572	11,038	9,728	6,860	17,551	27,369
Foreigners	233	203	255	170	207	173	146	75	208
<i>Total Arrests</i>	<i>11,004</i>	<i>10,464</i>	<i>10,289</i>	<i>10,742</i>	<i>11,245</i>	<i>9,901</i>	<i>7,006</i>	<i>17,626</i>	<i>27,577</i>
Labs Destroyed	23	14	7	8	19	19	9	5	4

¹ The eradication figures shown are derived from data supplied by Mexican authorities. The effective eradication figure is an estimate of the actual amount of a crop destroyed--factoring in replanting, repeated spraying of one area, and other factors.

² In 1995, the PGR revised downward the 1994 national detainees figure from 14,968 to 6,860.

Nicaragua

I. Summary

While Nicaragua is not a major drug producing country, it is a transit area for illegal narcotics en route from South America to the U.S. Evidence in 2000 did not support a finding that the illicit narcotics entering the U.S. from Nicaragua were in an amount sufficient to have a significant effect on the U.S., but Nicaragua is a country of concern to the U.S. Drug consumption within Nicaragua is on the rise, particularly along the impoverished Atlantic Coast. The Nicaraguan Government has shown its commitment to the fight against the narcotics trade. However, the Nicaraguan National Police (NNP) still need significant support. Severe resource constraints and a legal system plagued with inefficiency and corruption have made it difficult for the police to make significant progress in this area.

Important legal reforms are now under consideration. During 2000, the USG provided significant assistance to the counternarcotics efforts of the Nicaraguan Police. Nicaragua's weak and under-regulated banking sector makes it a susceptible to money laundering activities. Nicaragua is a party to the 1988 UN Drug Convention.

II. Status of Country

The Government of Nicaragua (GON) has become increasingly aware of the dangers posed by drug trafficking and has focused on policy and structural changes to fight the problem. Public awareness has also increased. The primary threats are drug transshipment and consumption. Colombian and other drug trafficking organizations move drug shipments through Nicaragua mainly over land and sea routes. The Atlantic Coast, in particular, has become a way station for "go-fast" boats en route from Colombia to points further north. Traffickers often pay local facilitators in drugs, fueling growing drug consumption in the country. While Nicaragua's banking system is too small to be considered a prime target for potential money laundering, U.S. experts believe this could change if fundamental problems in Nicaraguan banking regulations are not addressed.

The Nicaraguan National Police is a capable law enforcement organization, but their effectiveness is limited by severe resource constraints and weaknesses within the criminal justice system, notably inefficiency and corruption. The army, which includes a naval unit, provides some support to Nicaraguan law enforcement in combating drug trafficking. Consumption of illegal drugs (especially crack cocaine) is a serious and growing problem, particularly along the Atlantic Coast.

III. Country Action Against Drugs in 2000

Policy Initiatives. During 2000, the GON moved forward in its efforts to modernize the country's legal machinery for confronting the narcotics trade. A proposed new criminal code is working its way through the legislature and GON officials anticipate that it will be approved in 2001. The Supreme Court approved a new Penal Procedural Code on November 24, 2000, which is being reviewed by the Justice Commission of the National Assembly. Should the bill receive final approval, the new penal code procedures would help move Nicaragua from an inquisitorial justice system (in which judges handle investigations based on written reports submitted by the police) toward becoming an accusatorial system (in which police carry out investigations and defendants can present oral arguments on their own behalf). The National Assembly has also discussed creating an independent "Public Ministry" that will give prosecutors greater autonomy.

Accomplishments. The GON took a number of important steps in 2000 to strengthen its national antidrug effort. The National Assembly formed an Institute to study the drug problem. On August 15, the Chief of the National Police and the Commander of the Army signed a formal cooperative agreement that established

mechanisms to share information and coordinate counternarcotics enforcement activities. The GON increased the size of the National Police Narcotics Unit from 96 to 116 officers.

Law Enforcement Efforts. Nicaraguan authorities seized 1,693 kilograms of cocaine and three kilograms of heroin. An additional 27 kilograms of heroin that had been shipped through Nicaragua were seized in the U.S. In addition, the authorities seized 83,066 marijuana plants and 5,135 crack stones. When one includes the heroin seizures in the U.S., Nicaragua-related heroin confiscations rose significantly from the previous year.

Corruption. Efforts to resist corruption are complicated by the fact that the police have the lowest salaries in Central America—an entry-level police officer makes less than \$80 a month. During 2000, the Nicaraguan Police undertook several measures to combat and control corruption in their ranks. The Police began a new system of rotating Captains and Lieutenants serving in rural areas. Personnel at the Commissioner and Sub-Commissioner level had already been subject to similar rotations. The practice is now being extended downward to lower-ranking officials in an attempt to undercut possible conflicts of interest that might develop at the local level. One officer suspected of corruption was removed from the National Police Drug unit. In early September, the Police began to issue numbered badges to officers, making it easier for citizens to identify officers who engage in questionable acts. Finally, the Nicaraguan counterdrug unit answers only to the two top ranked officials in the National Police, a practice that helps to protect sensitive information.

A growing problem is the misuse of medical parole, through which convicted individuals are obtaining releases under the guise of medical ailments. They do this largely through bribing judicial or legislative officials. In late 2000, a notorious drug suspect and former policeman, Roger Ramirez, attempted to gain freedom on medical grounds under the terms of a legislative pardon. Strong protests from the National Assembly quashed this effort.

The GON is developing a task force, to be headed by former Vice President Bolanos, that will address corruption across the government. The GON is also in the process of developing a National Integrity Plan geared toward greater transparency and governability. As part of this, the NNP and the Controller's Office have recently signed an agreement to cooperate in the fight against corruption. Finally, the National Integrity Plan calls for a civil service law to professionalize government employees.

Money Laundering. One area of specific concern is Nicaragua's weak banking sector. Though existing law requires that banks report deposits of over USD 10,000 to a Commission of Financial Analysis, this Commission has not been established. The Commission is supposed to work under the aegis of the Ministry of Government and is to be made up of representatives from a variety of government institutions, including the Police and the Superintendency of Banks. However, the Nicaraguans have neither the resources nor the technical expertise to get the Commission up and running. Consequently, money laundering laws are not yet in force and no money laundering cases have been prosecuted.

Agreements and Treaties. Nicaragua is a party to the 1961 UN Single Convention, the 1971 UN Convention on Psychotropic Substances and the 1988 UN Drug Convention. A U.S./Nicaragua extradition treaty has been in effect since 1907, however, the Nicaraguan constitution prohibits extradition of Nicaraguan nationals. Nicaragua is also a member of CFATF. In December 2000, Nicaragua signed the UN Transnational Convention Against Organized Crime.

Cultivation/Production. With the exception of marijuana, which is consumed domestically, illegal drugs are not cultivated in Nicaragua. The GON continued its ongoing eradication effort in 2000.

Drug Flow/Transit. Nicaragua's location, the endemic poverty of a large proportion of the population and the lack of resources available to law enforcement make the country an attractive transit area for international drug trafficking. The area of the country most vulnerable to drug trafficking is the sparsely populated, isolated Atlantic Coast. The many islands and tiny inlets of the Atlantic littoral provide ideal way stations and rest areas for drug smugglers moving between Colombia and points further north. Some Atlantic Coast residents support the traffickers by refueling trafficker vessels and by storing drugs. In some communities, drug smuggling has become the principal economic activity. Drugs also move north along the Pan American Highway and in fast boats that run along the Pacific Coast.

Domestic Programs. Drug consumption in Nicaragua is on the rise, particularly crack cocaine usage on the Atlantic Coast, an economically afflicted area that suffers from 60–70 percent unemployment. Drug traffickers often pay for cooperation from local citizens in kind, giving drugs to those who aid them. In addition, drug shippers threatened by interdiction in the Caribbean will frequently toss their wares overboard. These packages wash ashore in poor communities where they are viewed as a lucky find by impoverished local residents, who then divide the drugs up among village members. Both these trends contribute to increases in local usage.

The GON has responded to its growing domestic drug problem. The Ministries of Education and Health, the Police, and the Nicaraguan Fund for Children and Family (FONIF) have all undertaken limited demand reduction campaigns. Each of these agencies faces significant financial constraints in these efforts. The Minister of

Education and the Police have agreed to implement a D.A.R.E. program in 2001.

III. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Nicaragua and the United States now enjoy a strong counternarcotics relationship. The police have made significant progress in recent years in professionalizing their force. Since the Nicaraguan Police established formal relations with the DEA in 1997, cooperation between the two agencies has been ongoing and effective. During 2000, the U.S. continued to provide significant antinarcotics and law enforcement assistance to the National Police, both through the DEA, State/INL, and the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP). The USG provided over 30 seminars to the Nicaraguan National Police.

In response to the vast and long-term complications created by Hurricane Mitch, the USG provided Nicaragua with additional funding to fight corruption and alien smuggling and to build the country's capabilities to carry out the interdiction of drugs shipped by land. These efforts continue.

The Road Ahead. Nicaragua's leaders recognize the threat that the drug trade poses to Nicaraguan society and to Nicaraguan sovereignty. They and the police forces are committed to the antidrug effort. Nevertheless, Nicaragua faces significant challenges in countering the international drug trade, notably the lack of the necessary resources. They need to continue the internal reforms and professionalization of justice sector personnel. Nicaragua has increased its cooperation with neighboring states, via the Central American Permanent Commission against drugs (CCP) and the Inter-American Drug Abuse Control Commission (CICAD), which will help to reinforce national efforts.

The United States and other donors have undertaken programs to strengthen the technical capabilities of the Nicaraguan police and the accountability of the judicial system, which will also aid Nicaragua in its efforts to create a viable and stable democratic system. Nicaragua and the U.S. are now working to conclude a bilateral maritime agreement, which would permit joint operations in maritime interdiction efforts off the coasts of Nicaragua. The U.S. is also supporting Nicaragua's efforts to tighten regulation over the country's financial system in an effort to counter money laundering.

Panama

I. Summary

The Government of Panama (GOP) continues to demonstrate its willingness to combat drug trafficking, money laundering and other transnational crimes. In 2000, the GOP seized significant amounts of illicit drugs although trafficking routes appeared to have changed. Panama passed anti-money laundering legislation expanding the grounds on which money laundering can be prosecuted and amplified the types of businesses subject to money laundering controls. Panama is a party to the 1988 UN Drug Convention.

Panama is a major transshipment point for illicit drugs smuggled from South America. Cocaine is stockpiled in Panama before it is repackaged for transfer to the U.S. and Europe. Panama's location, its largely unpatrolled coastlines, advanced infrastructure, underdeveloped judicial system, and well-developed financial services sector make it vulnerable to transnational crime, including drug trafficking, money laundering, illicit arms sales, stolen vehicle trafficking and alien smuggling. Panama's canal, containerized seaports, the Pan-American Highway, an active international airport, and numerous uncontrolled airfields provide organized crime groups a variety of ways to transport illicit narcotics through Panama.

Panama's international banking center, the Colon Free Zone (CFZ) and its U.S. dollar-based economy attract money launderers. In addition to changing Panama's money laundering laws and regulations, with the goal of bringing them into compliance with international standards, the Moscoso Administration participated in anti-money laundering training and worked closely with the USG to achieve mutual money laundering law enforcement objectives.

II. Status of Country

Panama's proximity to the world's largest cocaine producer and its inadequate maritime, airport, and border controls continued to make Panama a major drug transit country. Domestic drug abuse continued to increase in 2000. Panama is not a significant producer of drugs or precursor chemicals. Panama's large and sophisticated banking and trading center, and its dollar-based economy, make it an attractive site for money laundering, especially through the Colombian Black Market Peso Exchange (BMPE). The BMPE is a complex network dedicated to changing U.S. dollars into Colombian pesos and is used by drug traffickers and smugglers, as well as by legitimate industry attempting to avoid trade tariffs. The Moscoso Administration took concrete steps to enhance Panama's measures to combat money laundering (see Money Laundering Section). Panama is a member of the Egmont Group (an alliance of 30 nations with centralized financial intelligence units that meet once a year) and the Caribbean Financial Action Task Force (CFATF).

III. Country Actions Against Drugs in 2000

Policy Initiatives. The National Commission for the Study and Prevention of Drug-related Crimes (Commission Nacional Para El Estudio Y la Prevencion de Los Delitos Relacionados con Droga—CONAPRED), Panama's national drug policy office, established an interagency precursor chemical control board in 2000. This board will integrate the four principal GOP entities regulating chemical control with private sector businesses involved in the chemical industry. CONAPRED also began drafting Panama's 2002 to 2007 national drug strategy. The Technical Judicial Police (PTJ) worked closely with the U.S. Embassy to develop a project that will establish Panama's first regional forensic laboratory and lead to upgrades for the PTJ's central forensic laboratory.

Accomplishments. Through CONAPRED and under the authority of the Attorney General, Panama continued to implement the National Drug Strategy 1996–2001, its own national counternarcotics plan. This program, coordinates GOP and non-governmental organizations (NGOs) and emphasize prevention, treatment, rehabilitation, supply control and interdiction. In 2000, CONAPRED worked closely with Cruz Blanca, a local NGO, and the Embassy to design Panama's first major epidemiological study of youth drug abuse since 1993. In May, Panama hosted the annual meeting of the Egmont Group of Financial Analysis Units (UAF) and in August 2000, Panama hosted the "Fourth Hemispheric Congress on the Prevention of Money Laundering." Panama's Financial Analysis Unit and the Panama Banking Association organized both events.

Law Enforcement Efforts. DEA statistics show seizures of 6,640 kilograms of cocaine, 2,490 kilograms of marijuana, 69 kilograms of heroin, 2,250 tablets of MDMA and 237 arrests for international drug-related offenses. Although Panama's cocaine seizures in 2000 were lower than its record seizures in 1997–98, they do represent a significant increase over 1999. Heroin seizures for 2000 are the highest ever recorded. The two seizures of MDMA are the first recorded in Panama. Interdiction successes in 1997–8 forced traffickers to change their trafficking patterns in 1999–2000. As a result, most of the large seizures in 2000 were the result of intelligence-driven, investigatory efforts rather than random enforcement. Significant seizures of heroin underscored Panama's key role in the transfer of heroin from Colombia into the U.S.

Although GOP inter-agency law enforcement cooperation appears to have improved, the relationship between the Public Ministry and the PTJ remained strained. U.S.–Panama bilateral cooperation with the PTJ's counternarcotics squad, which is co-housed with the Public Ministry's drug prosecutor, remained excellent. Panama's National Police (PNP) continued to support its counterpart agencies and to work with USG law enforcement agencies. The PNP's Directorate of Information and Intelligence (DIIP) played an increasing role in organizing and executing operations.

The National Maritime Service (SMN) continued to achieve success in interdicting illicit narcotics; its operations resulted in seizures of 1,496 kilograms of cocaine and six kilograms of heroin. The SMN continued to work well with the National Air Service (SAN), the Panamanian National Police (PNP), the PTJ, the drug prosecutor's office, and with its USG counterparts. The SMN participated in maritime drug intelligence sharing which contributed to the seizure of seven Panamanian flagged vessels in international waters and 17,851 kilograms of cocaine. The presence of USCG personnel to train and assist in joint mission planning and professional exchanges that are conducted during joint operations has been invaluable.

Despite limited air assets and continuing problems with maintenance and spare parts procurement, the strain of heavy commitment to Darien Province border police support and internal structural problems, the SAN continued to provide excellent support for counterdrug operations. Notable successes include the SAN's March 25 seizure of a helicopter and 350 kilograms of cocaine in Chiriqui Province. During this event, the SAN demonstrated its capability to intercept, track and force down a helicopter identified by the U.S. Customs Service (USCS) as having been purchased from drug proceeds. The SAN responded repeatedly to U.S. law enforcement requests to overfly and photograph suspect areas and to identify suspect aircraft in flight or on the ground. The SAN offered assistance to support an initiative to use Tocumen International Airport for short-notice refueling of U.S. Customs aircraft. The SAN provided crucial logistical support that enabled the U.S. Coast Guard (USCG), assisted by the SMN and the PNP, to transfer 11 Colombian prisoners and 20 kilograms of evidentiary cocaine to the U.S. The SAN and the PNP also continued to cooperate in the surveillance of areas of potential coca and marijuana growth.

Precursor Chemicals. Panama is not a major producer or significant consumer of chemicals used in processing illegal drugs. However, a large volume of chemicals transits the CFZ for other countries. In 2000, Panama further developed its regulatory/enforcement infrastructure to control the use and shipment of precursor chemicals with the assistance of the U.S. Embassy and the Inter-American Drug Abuse Control Commission (CICAD). The GOP also established an interagency precursor chemical control board that will coordinate chemical control between four GOP entities and the private sector.

Asset Forfeiture. Panama's legal system authorizes asset forfeiture, including a system for identifying and forfeiting narcotics-related assets. Through forfeiture actions the PTJ, the PNP and other GOP law enforcement

agencies have acquired numerous vehicles. Panama has not specifically enacted legislation to authorize it to share seized narcotics assets with other governments but the GOP has shared assets with other countries individually. Building on negotiations between the United States Attorney's Office and the Office of Panama's Attorney General, the USG developed a draft asset sharing agreement that the GOP is reviewing. This agreement would permit asset sharing in the multi-million dollar Gonzalo Rodriguez Gacha case as well as other major narcotics trafficking cases.

Money Laundering. USG/GOP money laundering cooperation improved significantly with the Moscoso Administration. In June 2000, Panama was named by the Financial Action Task Force (FATF), as one of 15 "non-cooperative" jurisdictions in the fight against money laundering. Partly in response to this designation, the GOP, in October 2000, passed money laundering laws that greatly expanded the grounds on which money laundering can be prosecuted. The new legislation increased the number of entities required to report cash transactions of \$10,000 or more and/or suspicious transactions. Executive decrees promulgated in October permitted direct sharing of information between the UAF and its foreign counterparts and the Public Ministry's investigation/prosecution unit. Also during 2000, Panama joined the Black Market Peso Exchange Group of countries. (See money laundering section).

Corruption. Corruption by lower-level officials in the police and judiciary, though often not publicized, is an impediment to drug control efforts. Although involvement in drug-related corruption is officially discouraged, weak enforcement allows much of it to go unpunished. These factors inherently foster individual corruption and make it challenging to develop long-term, criminal investigations against top-echelon drug and money laundering violators. The president of the Supreme Court is committed to making the judicial system more effective and transparent. She has worked closely with USAID to develop an Administration of Justice program launched during 2000 that targets many of the judicial system's infrastructural weaknesses, including case tracking, judicial and ethics training and alternative dispute resolution.

Agreements and Treaties. Panama is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. A mutual legal assistance treaty (MLAT) and an extradition treaty are in force between the U.S. and Panama, although the Panamanian constitution does not permit the extradition of Panamanian nationals. Panama signed a bilateral stolen vehicle treaty in June 2000. Comprehensive implementing legislation is awaiting Legislative Assembly approval.

The USG and the GOP signed a maritime operations agreement, which included provisions for shipriders and USCG support and assistance to the SMN, in 1991. In 1999, the USG concluded a Customs Mutual Assistance Agreement (CMAA) with the GOP.

The GOP participates in CICAD, the Caribbean Financial Action Task Force (CFATF), the Black Market Peso Exchange Working Group and the Basle Committees' Offshore Group of Bank Supervisors (OGBS). Panama joined the Egmont Group, an alliance of 30 nations with centralized financial analysis units to combat money laundering in 1997, becoming the group's first Latin American participant. Panama's new anti-money laundering executive decrees will also make it possible for the first time for Panama's UAF to exchange information with Egmont Group counterparts subject to memorandums of understanding with each Egmont country.

Panama has bilateral agreements on drug trafficking with the United Kingdom, Colombia, Mexico, Cuba, and Peru and MLATs with the UK, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Negotiations for a comprehensive U.S./Panama bilateral maritime agreement are underway. Panama signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Cultivation and Production. Eradication. Aerial reconnaissance by the SAN in 2000 indicates the presence of suspected small coca fields in one of the previously eradicated areas. As the quantity is minute and located in a very remote area near the Colombian border, it was deemed unworthy of an eradication effort. There are limited amounts of marijuana cultivated to supply the local market but are insufficient for export. Both the SAN and the PNP investigate areas of potential cultivation and to eradicate marijuana or coca when it is found. In 2000, the SMN eradicated 867 kilograms of marijuana on the Isla del Rey Perlas and in the Darien Province. Sporadic reports of drug laboratories in the Darien remain unconfirmed.

Drug Flow and Transit. Panama is a key center for the transit and distribution of South American cocaine and increasingly, precursor chemicals and heroin. Fishing vessels, cargo ships and "go-fast" boats transit Panamanian waters, continuing on to other Central American countries or dropping off their cargo in Panama. Shipments dropped off in Panama are repackaged and moved northward on the Pan-American Highway, or depart in sea freight containers. Small, low-flying planes were reported entering Panamanian airspace and dropping drug loads in remote, sparsely populated areas. Couriers transiting Panama by commercial air flights continued to move increasing amounts of cocaine and heroin to the U.S. and Europe. The quantities of Colombian heroin transiting Panama during 2000 increased significantly indicating that South American drug organizations remain committed to increasing their share of the highly profitable heroin market.

Domestic Programs (Demand Reduction). In 2000, Panama continued to implement CONAPRED's counternarcotics plan and to design its next five-year counternarcotics strategy. As part of the National Drug Strategy, CONAPRED also began its first comprehensive public national drug prevention campaign in September 2000. The demand reduction portion of the strategy stresses prevention, treatment, rehabilitation and reinsertion of drug users into the labor force. The Ministry of Education and CONAPRED, supported by NAS funding, promoted demand reduction through training for teachers, information programs, antidrug abuse training for youth, school curriculum programs. CONAPRED and the Embassy's Narcotics Affairs Section also supported the Ministry of Education's National Drug Information Center (CENAID) in 2000. These efforts were integrated with the Ministry of Health's treatment and rehabilitation programs and those of the Catholic Church, local NGOs and the University of Panama. Hogares Crea has established Panama's first long-term rehabilitation center outside of Panama City, in a rural area in Coclé Province. Working with the Embassy's Narcotics Affairs Section and the NGO Cruz Blanca, CONAPRED developed a comprehensive epidemiological survey of Panama's youth drug abuse problem and its links to violence, family break-up and other social factors. This survey will be conducted in the four major urban areas in the first quarter of 2001.

IV. U.S. Policy Initiatives and Programs

The U.S. provided crucial equipment, training, and information to enhance the performance of GOP counternarcotics and law enforcement institutions in 2000. These U.S.-supported programs are aimed at improving Panama's abilities to investigate and prosecute illegal drug trafficking and other transnational crimes, to strengthen Panama's judicial system, to assist Panama to implement its drug abuse prevention program, to encourage the enactment of more effective laws and regulations covering counternarcotics, money laundering, alien smuggling, stolen vehicle trafficking and corruption and to ensure strict enforcement of existing Panamanian laws.

The U.S., through USAID, is assisting the GOP to develop an Administration of Justice (AOJ) program to strengthen law enforcement and judicial institutions and procedures from both within and without the system. This program includes segments covering judicial transparency/ethics, developing a registry of judicial opinions, alternative sentencing proposals and commercial dispute/alternative dispute resolution proposals. The AOJ program also works to promote the development of civil society. In October, USAID sponsored Panama's first conference of six Panamanian non-governmental organizations working toward judicial reform. This group will become a focal point through which the Embassy will support Panamanians seeking to strengthen and improve Panama's judicial system.

During 2000, the U.S. Coast Guard continued to work closely with the SMN, enhancing its effectiveness as a maritime interdiction force. The U.S. traditionally has had an excellent relationship with Panamanian Customs and U.S. programs have provided Panamanian Customs with training and operational tools. The USG and GOP signed a Memorandum of Understanding in 2000 to arrange for the transfer of support equipment, including four 22-foot boats for the SMN and two vans for Customs. The Embassy's Office of Defense Cooperation transferred an 82-foot Coast Guard patrol boat to the SMN in 2000, with another scheduled to arrive in January 2001. The Office of Defense Cooperation received \$590,000 in Foreign Military Financing in 2000 which is being used to help the SMN establish an Atlantic base, procure much-needed repair parts for boats transferred by the USG and training. The U.S. transferred excess Department of Defense property that had been used on U.S. bases before the reversion of the Panama Canal to the Government of Panama in December. The property, which includes boats and vehicles, is to be used for anticrime purposes.

Other USG projects begun in 2000 included: working with the GOP to upgrade its forensic laboratory and establish a satellite forensic laboratory for Panama's Western provinces, assisting the PTJ's Antinarcotics Unit's motorpool to become more effective, providing training and equipment to deter alien smuggling and vehicle theft, and upgrading the analytical capacity of the Financial Analysis Unit. The USG continued to support the Ministry of Education's teacher training for demand reduction programs, development of Panama's Joint Intelligence Coordination Center (JICC) and joint counternarcotics operations between Panamanian authorities and DEA, Customs, INS and the U.S. Coast Guard. The USG donated four narcotics detection dogs to the Customs unit at Tocumen International Airport; the canine program has already resulted in an increase in narcotics seizures.

Bilateral Cooperation. The Moscoso Administration continued its close cooperation by increasing joint counternarcotics efforts with DEA and by strengthening national law enforcement institutions. The GOP cooperated with U.S. requests to board and search Panamanian-flagged vessels suspected of drug smuggling in international waters despite the December 31, 1999 expiration of the Status of Forces agreement (SOFA) that eliminated an important framework under which counternarcotics joint operations and training had taken place. Nonetheless, the GOP has remained one of our principal partners in counternarcotics missions. Under the authority of the Attorney General and Ministry of Government and Justice, there have been seven transits of drugs or prisoners seized on the high seas, in territorial waters, and in the Panama Canal. The GOP has been extremely cooperative and forward-leaning, both with seizures within their territory as well as prosecution of

targets of drug intent. It has engaged in cooperative maritime investigations with partner nations, most notably Colombia and Costa Rica. The SMN will provide four crewmembers in March 2001 for the Caribbean Support Tender, a U.S. Coast Guard vessel with a multinational crew that provides training and assistance in ship maintenance and repairs to Caribbean Coast Guards. The lack of a formal arrangement to permit short-term visits by Armed Forces personnel for law enforcement purposes hampered joint maritime and training cooperation. Due to the lack of such an arrangement, several events were cancelled that would have expanded significantly USG/GOP joint maritime interdiction efforts. Our Embassy actively seeks to reach a mutually acceptable framework with the Government of Panama to allow occasional, temporary deployments of U.S. armed services personnel to Panama for law enforcement purposes. The PTJ, Customs, the National Directorate of Immigration and the PNP, with support from the U.S. Immigration and Naturalization Service, U.S. Customs and DEA, executed two major joint interdiction operations along the Costa Rican border against alien smuggling and drug trafficking.

The Moscoso Administration drafted Panama's first-ever law enforcement/national security strategy with some U.S. assistance. This strategy was the major focus of the U.S./Panama bilateral meetings in the fall of 1999 and the spring of 2000. At these meetings, the U.S. and Panama discussed an array of issues in four bilateral working groups: social affairs and the environment, law enforcement, trade and security. The Law Enforcement Working Group exchanged information and presented recommendations on counternarcotics, extradition, asset forfeiture, justice reform, stolen vehicles, alien smuggling and money laundering.

The GOP continued to investigate important high-level drug traffickers. Some examples of major cases in 2000 include:

- Fernando Mendoza, 1,008 kilograms of cocaine seized, 25 arrests
- Mohamad Soueidan, 377 kilograms of cocaine, 14 arrests, six vehicles, real estate, and one CFZ business. Soueidan was a distributor of hundreds of kilograms of cocaine who used Panama as his base of operations to traffic cocaine to the U.S. and other countries.
- Julio Munoz-Valencia, two kilograms of heroin, 1.25 kilograms cocaine, five arrests.
- Carlos Rivera-Graell, six kilograms of heroin, five arrests, three kilograms cocaine, one arrest.
- Miguel Barrios, six kilograms heroin, five arrests.

In June 2000, an operation to catch customs, immigration, and drug-trafficking violations culminated in the seizure of 698 kilograms of cocaine and three arrests, including Francisco Smith, the subject of a long-term Costa Rican criminal investigation.

The Road Ahead. The GOP continues to demonstrate its commitment to build strong law enforcement institutions, fight money laundering, and ensure security of the canal. The U.S. and Panama will continue to cooperate in these areas and to strengthen joint counternarcotics efforts. Conclusion of a bilateral maritime agreement and an arrangement to permit temporary deployments to Panama by U.S. Armed Forces representatives for law enforcement purposes would greatly facilitate counternarcotics joint operations and training. Panama's law enforcement efforts would be enhanced through closer coordination between its law enforcement agencies and with U.S. counterparts. The U.S. will continue to work with the GOP to help strengthen Panama's law enforcement institutional capacity, particularly in training, interdiction, investigation and prosecution.

The U.S. will support anticorruption efforts, criminal justice reform and anticrime assistance to Panama that complements Panama's counternarcotics and countercrime efforts, including assistance in the areas of alien smuggling and stolen vehicle trafficking. The U.S. will continue to assist the GOP in its efforts to implement recently passed money laundering laws to bring Panama into compliance with international money laundering standards and to increase the GOP's ability to investigate and prosecute successfully money laundering cases in Panama.

The U.S. will continue to work with the Ministries of Health and Education and NGOs to expand Panama's demand reduction program. Because of Panama's budgetary limits, we believe the GOP should develop new sources of funds to combat drug trafficking and abuse, such as those available through effective money laundering prosecutions and asset forfeiture. We will work with the GOP to explore how such possible funding sources can be exploited fully.

[End.]

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The Caribbean

The Bahamas

I. Summary

The Bahamas is a major transit country for U.S.-bound cocaine and marijuana from South America and the Caribbean. The Government of the Commonwealth of The Bahamas (GCOB) cooperates with the United States Government (USG) to interdict drugs in Bahamian territory, reduce drug demand, combat exploitation of the offshore financial sector by money launderers and other financial criminals, and enhance the ability of the Bahamian judicial system to prosecute and convict drug traffickers and money launderers.

During 2000, The Bahamas continued its active participation in Operation Bahamas and Turks and Caicos (OPBAT), a three-nation interdiction effort against air and maritime drug smuggling. Total GCOB cocaine seizures were 47 percent higher than in 1999; marijuana seizures were up five percent.

In June 2000, the Financial Action Task Force named The Bahamas a non-cooperative jurisdiction due to deficiencies in its anti-money laundering regime, and the U.S. Treasury Department advised U.S. banks to closely scrutinize all transactions with Bahamian banks. In response, the GCOB passed legislation to strengthen its anti-money laundering regime, create a Financial Intelligence Unit (FIU), reform its strict banking secrecy rules, and more effectively regulate International Business Companies (IBCs). It also created a separate unit within the Attorney General's Office to process Mutual Legal Assistance Treaty (MLAT) requests and cleared its backlog of outstanding USG requests. With full implementation of its new anti-money laundering legislation, establishment of the FIU, and continued improvement in international cooperation via full and rapid responses to MLAT requests, The Bahamas could become less attractive to financial criminals.

The GCOB has not begun to implement the recommendations of a May 2000 OAS/CICAD assessment of the Bahamas precursor chemical control system, which included legislative actions, awareness-raising, and institutional development.

During 2000, the GCOB ratified the Inter-American Convention Against Corruption and successfully prosecuted two corrupt police officers for drug trafficking. The Bahamas is a party to the 1988 UN Drug Convention and works to meet its goals and objectives.

II. Status of Country

The Bahamas is a country of approximately 300,000 inhabitants and some 700 islands scattered over an area the size of California and located on the sea and air routes between Colombia and the U.S. Its extent and location make The Bahamas a continuing target for drug transshipments. An analysis by the U.S. Embassy of The Bahamas' balance of payments statistics suggests that cocaine and marijuana smuggling has resulted in foreign exchange inflows of 200 to 300 million dollars annually and may rival or even surpass in size the Bahamian banking industry. The GCOB assigns a high priority to combating drug trafficking. Senior Bahamian officials attribute the high rate of violent crimes committed in The Bahamas to a "gun culture" directly related to drug trafficking. The Bahamas does not yet have a national antidrug strategy and has no central authority for the coordination of national drug control policy.

The Bahamas is a major offshore financial center. Its strict banking secrecy laws, weak regulation of

IBCs, and lack of an FIU made it an attractive target for money launderers and other financial criminals. Full implementation of tough new anti-money laundering legislation enacted in 2000 could reduce The Bahamas' vulnerability to such exploitation.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In December, The Bahamas enacted the Dangerous Drugs Act 2000. This law replaced a 1939 act that had been amended several times, including earlier in 2000. The updated law repealed mandatory minimum sentences, which the GCOB contended clogged court calendars and delayed hearings. However, the new act also provided Supreme Court justices (the only judges who hear jury trials) with the option of imposing more severe sentences and stiffer fines for drug trafficking. For example, a person convicted of possession of illegal drugs "with intent to supply" may be sentenced to 30 years in prison. Repeat offenders face terms of 40 years. The Supreme Court may punish those who sell drugs to children under age 14 with 40-year terms. The law creates a new offense of "engaging in a continuing criminal enterprise" in order to punish drug lords who direct a ring of five or more others. The Supreme Court may impose a 40-year sentence for this offense. The maximum sentence for a person convicted of any of the foregoing offenses in Magistrates' Court (that is, in a "summary," non-jury trial) is five years.

In June, the Financial Action Task Force (FATF) publicly identified deficiencies in the Bahamian anti-money laundering regime, and the U.S. Treasury Department issued a financial advisory to U.S. banks, warning them to closely scrutinize all their transactions with Bahamian banks. The GCOB expanded its initiative—begun earlier in 2000 to strengthen its anti-money laundering laws—to correct the deficiencies noted by FATF, including dismantling its banking secrecy laws and strengthening governmental supervision over its offshore financial sector. This initiative culminated in December 2000 with the enactment of a legislative package that included the Proceeds of Crime Act 2000 (a new anti-money laundering and asset forfeiture law); the Criminal Justice (International Cooperation) Act 2000; the Financial Intelligence Unit Act 2000; the Central Bank of The Bahamas Act 2000; the Banks and Trust Companies Regulation Act 2000; the Financial Transactions Reporting Act 2000 (which contains extensive "Know Your Customer" provisions); the International Business Companies Act 2000 (which eliminates IBC bearer shares and requires disclosure of the beneficial ownership of IBCs); and the Financial and Corporate Services Providers Act 2000.

Accomplishments. In May, The Bahamas amended its 1994 bail statute to automatically deny bail to convicted drug traffickers during their appeals. Formerly, traffickers routinely received bail, used every available legal tactic to delay their appeal process for years, and raised money for their legal fees by continuing their drug trafficking activities. This amendment created a disincentive for dilatory tactics and should reduce drug case backlogs in the courts. In May, The Bahamas enacted a currency declaration law that requires anyone leaving or entering the country with 10,000 dollars or more to make a written declaration to Customs. The penalty for failure to do so is a fine or two years in prison and forfeiture of the undeclared sum. This measure should diminish the amount of drug money being brought in and out of the country, especially through the international airports in Nassau and Freeport.

In May and again in December, through the Proceeds of Crime Act, 2000, The Bahamas amended its 1996 anti-money laundering statute to reduce the standard of proof in money laundering prosecutions from actual knowledge to reasonable suspicion that the funds in question are criminal proceeds. The amendment also provided financial institutions with protection against civil liability for reporting suspicious transaction reports to supervisory authorities.

In May, the Bahamas Court of Appeal sustained the drug trafficking convictions of six prominent Bahamian businesspeople and overturned the acquittal of a seventh. Six of the seven had been convicted and sentenced in a Magistrates' Court in 1998 following an epic 18-month cocaine conspiracy trial. The Court of Appeals added one year to the sentence of one of the defendants. The Commissioner of Police appealed the acquittal of the seventh defendant as allowed under Bahamian law. Two of the defendants are sons of a former cabinet minister. The sentences ranged from 18 months to three years. Under the new bail statute, all seven will be held without bail while they appeal these verdicts to the British Privy Council, the final appeals court for Bahamian cases.

In November, a Magistrate's Court convicted well-known Nassau "businessman" Samuel Knowles, also known as "Ninety," of possession of five pounds of marijuana with intent to supply. Knowles, reputed to be the nation's leading cocaine trafficker, received an 18-month sentence and was imprisoned without bail pending the appeal of his conviction.

The GCOB, working closely with the USG, is in the final stages of a court automation project designed to reduce delays in criminal cases, especially drug prosecutions. The last step in the project,

to be completed in 2001, will be to install a court case management software system, the Bahamas Integrated Justice Information System (BIJIS), that will make Bahamian courts virtually "paperless." Improved case flow management practices, increased control by judges over court calendars, and stricter enforcement of adjournment rules implemented in 2000 significantly reduced the length of court cases during the year. Furthermore, the backlog of appeal cases has nearly been eradicated, to the point where the Bahamian appellate court will be dealing in 2001 with cases which began in 2000—an unprecedented reduction in court delay.

During 2000, the GCOB continued work on developing its long-awaited National Drug Strategy, which may be completed sometime in 2001. In November, the GCOB named a retired senior police official to head the FIU created by the Financial Intelligence Act 2000.

Law Enforcement Efforts. The Royal Bahamas Police Force (RBPF) continued to participate actively in OPBAT, a multi-agency, international operation whose mission is to stop the flow of cocaine and marijuana transiting through The Bahamas to the United States. U.S. Coast Guard and U.S. Army helicopters based on the Bahamian islands of New Providence, Great Exuma, and Great Inagua intercept maritime drug smugglers and seize airdrops of drugs into Bahamian territory. Officers of the RBPF Drug Enforcement Unit (DEU) Strike Force and the Royal Turks and Caicos Islands Police Force fly on all OPBAT missions and are responsible for making arrests and seizures. A DEA Special Agent is also on board each flight to provide advice and coordination.

The DEU, a special force within the RBPF composed of 81 officers, works closely with DEA on drug investigations. As of December 2000, the GCOB had arrested 1,811 persons on drug charges and seized 2.74 metric tons of cocaine and 3.80 metric tons of marijuana. During 2000, cocaine seizures were 47 percent higher than in 1999. Marijuana seizures were five percent higher than in 1999. In two seizures at the Nassau Airport, the GCOB seized a total of 63 kilograms of "ecstasy" tablets en route to the U.S. from the Netherlands. During 2000, the RBPF seized two aircraft, one vehicle, and eight boats involved in drug trafficking.

The GCOB has yet to clearly define a counternarcotics role for the Royal Bahamas Defence Force (RBDF)—a potentially important player in drug interdiction. The RBDF's response to requests by OPBAT for assistance in intercepting drug smuggling vessels has been inadequate. The RBDF says that it lacks adequate resources and suitable vessels with which to respond, and in December announced that it would modify two confiscated "go-fast" boats for intercepting drug-smuggling vessels. The RBDF also expressed interest in "multi-crewing" an interceptor boat with the DEU.

In May 2000, OAS/CICAD conducted an assessment of The Bahamas' precursor chemical control regime and made several recommendations for corrective actions, including improving the legislation and system for controlling chemical precursors, awareness-raising of the importance of chemical precursor control in effecting drug supply reduction, assessment of legitimate chemical needs, and training of officers who monitor chemical precursors. To date, the GCOB has not taken steps to carry out these recommendations.

During 2000, GCOB officials seized \$1,429,847 in drug money, over 2.6 times the amount of currency seized in 1999. The DEU is presently conducting several money laundering and asset forfeiture investigations. The money laundering trial in the Supreme Court of a prominent attorney, set to begin in October 2000, had to be postponed until early 2001 to await the gathering of documentary evidence from the Cayman Islands.

Corruption. As a matter of government policy, The Bahamas does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. In 2000, the GCOB ratified the Inter-American Convention against Corruption.

In October 2000, an opposition Member of Parliament (MP) charged that cabinet ministers of the ruling party had facilitated drug money laundering by approving and granting concessions to a Long Island resort hotel construction project funded by a notorious Bahamian cocaine trafficker, Dwight Major. Major, reputedly the nation's number two drug lord, has been arrested several times since 1997 but has always been released because of lack of evidence. The MP also alleged that relatives of a senior cabinet minister were involved with Major. The GCOB ministers denied any wrongdoing and called for a vote of condemnation against the MP. The GCOB did not issue a promised public report on the source of the project's funding.

In 2000, the RBPF stepped up its campaign to weed out corrupt members of the force, promulgating and implementing its "Policy for the Prevention, Detection and Treatment of Corruption, Dishonesty

and Unethical Behaviour." In September, a Bahamian Magistrates' Court convicted two RBPF officers of attempting to smuggle cocaine into the U.S. One officer was sentenced to two years in prison and the other, 18 months. A third officer accused of complicity was dismissed by the RBPF after his acquittal for insufficient evidence.

The Proceeds of Crime Act 2000, enacted in December 2000, made public corruption a predicate offense for money laundering.

Asset Forfeiture. The Proceeds of Crime Act 2000 provides for forfeiture of real and personal property derived from or used in connection with a drug-related offense. Personal property can be forfeited regardless of whether the offender has been convicted. The act also creates a Confiscated Assets Fund to be used for law enforcement, treatment and rehabilitation of drug addicts, and drug education.

Agreements and Treaties. The Bahamas is a party to the 1988 UN Drug Convention. The GCOB works with the USG to accomplish the five objectives of a continuing U.S.-Bahamas counterdrug and law enforcement project designed to enhance the capability of the GCOB to suppress criminal activity. These objectives are enhancement of the Bahamian judicial system; increased efficiency and effectiveness of the RBPF and RBDF; money laundering prevention and control; support for OPBAT counterdrug operations; and local drug demand reduction.

The U.S.-Bahamas Mutual Legal Assistance Treaty (MLAT) facilitates the bilateral exchange of information and evidence for use in criminal proceedings. USG MLAT requests seek and secure financial information and evidence for use in USG criminal investigations and prosecutions that would otherwise be unavailable because of Bahamian banking confidentiality laws. During the latter part of 2000, the GCOB created a separate unit within the Office of the Attorney General to process international requests for assistance, including MLAT requests. Since its creation, this unit has focused its efforts primarily on clearing the backlog of unexecuted MLAT requests from the USG. To date, the unit has made substantial progress toward achieving that objective and has substantially improved its MLAT relationship with the USG. The Bahamas also has MLATs with the United Kingdom and Canada. The Evidence (Proceedings in Other Jurisdictions) Act 2000 allowed the GCOB to provide such information even for cases in the investigatory stage. In addition, to facilitate mutual legal assistance, The Bahamas enacted the Criminal Justice (International Cooperation) Act, 2000, which among other things provides for the registration and enforcement of forfeiture and other orders of designated countries. Similar authority exists under the newly enacted Proceeds of Crime Act, 2000.

The GCOB has been receptive to U.S. extradition requests, based on the 1994 U.S.-Bahamas extradition treaty. Actual extraditions are typically slowed by procedural delays in the Bahamian courts. One of the two extraditions to the U.S. in 2000 was drug-related—a major Canadian trafficker whose extradition had been delayed for several years and was accomplished only after his appeal, which was contested at great expense by the GCOB, was denied by the Privy Council in London. In November, a Magistrates' Court granted a U.S. request for the provisional arrest of a Bahamian who had jumped bail in 1985 prior to his sentencing in the U.S. for drug trafficking. The suspect is now serving a prison sentence in The Bahamas on a marijuana charge, which must be completed before he can be extradited to the U.S.

In 1985, the USG and the GCOB informally established the "Joint United States Coast Guard/Royal Bahamas Defence Force Shiprider and Overflight Programme" for joint operations. This program was formalized as the "Cooperative Shiprider and Overflight Drug Interdiction Programme" by an exchange of diplomatic notes in 1986 and was extended by another such exchange in 1996. The agreement permits The Bahamas to embark RBDF or RBPF officers as shipriders on USG vessels operating in Bahamian waters. A Bahamian shiprider may grant a USG vessel authority to board and search any suspected drug-smuggling vessels in Bahamian waters (as well as Bahamian vessels on the high seas) and to assist the shiprider with arrests, drug seizures, and vessel seizures. The agreement also authorizes U.S. law enforcement aircraft to overfly Bahamian territory.

Drug Flow/Transit. USG estimates indicate that 12 percent of the cocaine detected heading to the U.S. from South America moves through the Jamaica-Cuba-Bahamas corridor. Most of that amount arrives in The Bahamas by "go-fast" boat from Jamaica, with relatively little coming directly from Colombia by "go-fast" boat or airdrop. DEA/OPBAT estimates that there are roughly a dozen major Bahamian drug trafficking organizations. They offer their services, often with "money-back guarantees," to Jamaican drug cartels to transport their drugs to the United States. The Bahamian "go-fast" boats usually head north from Jamaica and travel through the Windward Passage, between Haiti and Cuba, into Bahamian waters.

Demand Reduction Programs. The GCOB makes modest monetary and "in-kind" contributions to demand reduction programs, especially in education and prevention. In 2000 it doubled the "stipend" of the quasi-governmental National Drug Council, to which the USG also provides monetary assistance. The termination in December 2000 of the UNDCP-funded five-year demand reduction project left that effort temporarily without adequate financial resources to sustain its programs. In the future, a new Confiscated Assets Fund established by the Proceeds of Crime Act 2000 will help fund demand reduction programs, as well as the drug rehabilitation programs of the government's Sandilands Rehabilitation Center.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The goals of U.S. assistance to The Bahamas are to dismantle trafficking organizations, stem the flow of drugs through The Bahamas to the U.S., and strengthen Bahamian law enforcement and judicial institutions to make them more effective and self-sufficient in combating drug trafficking and money laundering.

Bilateral Cooperation. Under a Letter of Agreement signed in September 2000, the USG increased its support to the GCOB for the U.S.-Bahamas counterdrug and law enforcement project by \$706,400. That support totals \$10,402,400 since the inception of the project in 1991.

During 2000, the Department of State, Bureau of International Narcotics and Law Enforcement Affairs' (INL) Bahamas Country Program, administered by the U.S. Embassy's Narcotics Affairs Section, funded training, equipment, and technical assistance for a number of Bahamian law enforcement units and drug demand reduction organizations. This aid included electronic surveillance equipment and VHF radios for the DEU; uniforms, boots and other emergency equipment for the DEU Strike Force; computer equipment for the RBPF College Laboratory; construction materials for the RBPF Firing Range; office equipment for the Supreme Court; computer and office equipment as well as travel expenses for the National Drug Council; and training manuals for a Drug Action Service workshop. Currently, INL is in the process of procuring the software for the BIJIS court management project.

In 2000, the USG funded the construction in the U.S. of a high-performance purpose-built "go-fast" interceptor boat to be used in conjunction with OPBAT helicopters on drug interdiction missions. The boat was donated to the RBPF in January 2001.

In December 2000, the USG donated three drug detector dogs to the Canine Unit of the RBPF. Two of these dogs will be used at the Freeport airport and container port. The third drug detector dog, also trained to track and apprehend fugitives, will be based in Nassau and will participate in helicopter-borne OPBAT drug interdiction missions.

In December, the RBDF sought USG assistance in equipping one of its newly acquired "go-fast" interceptor boats with new engines and communications equipment for use in drug interdiction. Also in December, two members of the RBDF completed a one-year tour of duty on the U.S. Coast Guard Cutter "Gentian," the multi-national-crewed Caribbean Support Tender (CST). They were replaced on the CST by three others from the RBDF.

The Road Ahead. The Bahamas' proximity to the U.S. and the sheer extent of its area guarantee it will be a target for drug transshipment and other criminal activity for the foreseeable future. The Bahamas must continue its strong commitment to bilateral counternarcotics efforts. It needs to designate the United States under the Criminal Justice (International Cooperation) Act, 2000, and the Proceeds of Crime Act, 2000, so that the full range of assistance in freezing and forfeiting criminal proceeds will be available to the U.S. Its large offshore financial services sector makes The Bahamas an obvious target for exploitation by drug money launderers and other financial criminals. With rigorous implementation of its strengthened anti-money laundering laws and continued improvement of its international cooperation via full and rapid response to MLAT requests, The Bahamas could become less attractive to financial criminals. Because of its relatively small budgetary resources and growing drug transshipment problem, The Bahamas will continue to depend on significant U.S. assistance to fight international narcotics trafficking and crime. In order to strengthen the country's antidrug institutions, the USG plans to donate additional "go-fast" interceptor boats to the GCOB; to assist the GCOB in establishing its FIU; to continue its participation in OPBAT and its support for the DEU; and to assist the RBDF in assuming a greater counternarcotics role.

The Bahamas Statistics

(1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Seizures(1)									
Cocaine (mt)	2.74	1.86	4.39	2.58	0.12	0.39	0.49	1.80	4.80
Marijuana (harvested) (mt)	3.80	3.50	2.30	3.76	2.61	3.53	1.42	0.65	1.00
Amphetamines (mt)	0.063	—	—	—	—	—	—	—	—
Arrests	1,811	1,969	1,650	1,894	1,576	1,565	1,025	1,023	1,135

(1) Data for 1999 is through October. Marijuana seizure statistics for 1991-93 have been revised.

Caribbean Overseas Territories of the United Kingdom and Bermuda

I. Summary

Anguilla, the British Virgin Islands (BVI), the Cayman Islands, Montserrat, and the Turks and Caicos Islands (TCI) comprise the United Kingdom's Caribbean Overseas Territories (COTs). These territories are not significant drug-producing locations but are drug-transshipment points. There is no evidence, however, that drugs are coming through the COTs to the U.S. in quantities sufficient to have a significant effect on the United States. Bermuda is a self-governing overseas territory of the UK. It is not a drug-producing location. With its mid-ocean location 600 miles off the east coast of the U.S., Bermuda is one of the more remote populated islands in the world. Because all air links to the island are "out and "back" from the U.S., Canada and the UK, Bermuda is not a transshipment point for drugs coming to the U.S. Some illegal substances consumed in Bermuda are transshipped to Bermuda by way of the U.S.

The UK, a party to the 1988 UN Drug Convention and the 1971 UN Convention on Psychotropic Substances, extended coverage of those Conventions in 1995 to the COTs and Bermuda. All the COTs and Bermuda had brought their antidrug regimes into compliance with the 1995 initiative by the end of 2000.II. Status of Caribbean Overseas Territories

The UK COTs, with the Cayman Islands leading the way, have established numerous offshore financial institutions. These offshore institutions are vulnerable to abuse by drug traffickers and others seeking to launder the proceeds of crime. The COTs, with strong encouragement from the British Government, have increased regulation over their financial-services sectors and further reforms are anticipated.

Bermuda is one of the world's premier offshore international financial and business centers, with a large number of international business corporations (IBCs). The Government of Bermuda (GOB) has always been aware of the potential of money laundering and other financial crime and has scrutinized closely all applications for incorporation of new IBCs. In 1997 a Proceeds of Crime Act was passed, entering into force in 1998. The Act imposed strict requirements on financial institutions in the areas of customer identification, currency transaction record-keeping, and internal reporting procedures.

All the COTs and Bermuda are active members of the Caribbean Financial Action Task Force (CFATF). The UK, the COTs and Bermuda commissioned an independent, in-depth review of financial regulation in the COTs and Bermuda. The review examined existing anti-money-laundering systems and practices, and assessed them against international standards. In addition, the Financial Action Task Force reviewed the anti-money laundering regimes of Bermuda, BVI, and the Cayman Islands and, in June 2000, named the Cayman Islands as a non-cooperative jurisdiction based on deficiencies in its anti-money laundering and international cooperation laws and practices. Since then, the Cayman Islands has approved regulations and legislation that are intended to address deficiencies

in its anti-money laundering regime. When fully implemented, these changes could make the Cayman Islands less vulnerable to money laundering and financial crime.

Treaties and Agreements. The UK, a party to the 1988 UN Drug Convention and the 1971 UN Convention on Psychotropic Substances, has extended coverage of those Conventions to the COTs and Bermuda. The COTs are subject to the 1986 U.S.-UK Mutual Legal Assistance Treaty (MLAT) concerning the Cayman Islands (which has been extended to the other COTs but not to Bermuda). The 1972 U.S.-UK extradition treaty and its 1985 supplement are applicable to the COTs and Bermuda. In 1996, the UK and COTs governments explored with the USG the possibility of concluding a supplemental treaty of extradition applicable to the COTs only. This matter is still under study.

U.S.-UK maritime cooperation in the Caribbean is covered by several agreements. A 1981 exchange of diplomatic notes grants permission by the UK—specifically covering the Caribbean, the Gulf of Mexico, and part of the western Atlantic—for the U.S. Coast Guard (USCG) to board privately-owned vessels with UK registry that are suspected of drug trafficking. This agreement further allows such vessels to be searched and, if drugs are found, seized and taken to a U.S. port. Additionally, the U.S. Customs Service and USCG have a reciprocal Shiprider Agreement with the BVI. The USCG, pursuant to this agreement, deploys shipriders on the Royal Navy's West Indian Guard ships. The U.S./UK/UK Overseas Territories Agreement Concerning Maritime and Aerial Cooperation to Suppress Illicit Trafficking by Sea in Waters of the Caribbean and Bermuda was signed in 1998 and entered into force on October 30, 2000, following passage of implementing legislation by the six territories. The Agreement enhances existing cooperation between the UK and U.S. against the trafficking of illicit drugs in the waters around these territories.

The USG has concluded a Customs Mutual Assistance Agreement with the UK.

III. Actions Against Drugs in 2000

The COTs continue to benefit from programs developed in 1998 under the European Union (EU) Caribbean Drugs Initiative (CDI), notably in the fields of maritime cooperation, law enforcement training, anti-money laundering and judicial training. In 1998, the UK donated a training vessel for Caribbean coast guards engaged in drug interdiction.

Operational contact between the governments of the COTs and their sister Caribbean islands is close and effective. The geographical position of Anguilla and BVI make them prime drug transshipment routes particularly vulnerable to airdrops of cocaine in the surrounding seas and offshore islands. The drops generally are destined for the nearby islands of St. Martin/St. Maarten and Puerto Rico as well as the U.S. Virgin Islands. Cooperation among Anguillian, French and Dutch officials in St. Martin is good. Senior police officers routinely hold joint meetings to address issues and exchange drug-related information. French authorities in St. Martin have become more active in taking measures to reduce the transfer of small quantities of drugs to Anguilla via passenger ferry.

Cooperation between the BVI and U.S. authorities has worked well under the Shiprider Agreement and the MLAT. The BVI has also been actively involved, when its small forces have permitted, in the combined annual operations of Caribe Venture and Frontier Shield—two successful USG counterdrug initiatives in the Caribbean.

The Royal Navy also participates in Caribe Venture and Frontier Shield. These operations have had increasing success in drug interdiction and, as such, are becoming a mainstay of the U.S.-UK maritime antidrug portfolio in the Caribbean. Royal Navy vessels assigned to West Indies guard duties participate in coordinated drug-interdiction missions in support of the U.S. Joint Interagency Task Force East (JIATF-East), based in Key West, Florida. The Royal Navy maintains a full-time liaison officer in Key West to support JIATF-East's mission.

The UK Overseas Territories Regional Criminal Intelligence System (OTRCIS), with its hub in Miami (thus increasing and facilitating liaison with the USG), has been operational since 1997. This builds on the successful operation of the combined U.S.-UK White Collar Crime Investigation Team (WCCIT) established in 1993 in Miami with FBI officers and British law-enforcement officers.

In 2000, close antidrug cooperation continued between the COTs, Bermuda and U.S. law enforcement authorities. The Cayman Islands permits the USCG to use its territory as a base for counternarcotics operations in the Caribbean. The Bermuda Police Service has had an active liaison relationship with the New Jersey office of DEA in a number of controlled deliveries that resulted in arrests, both in Bermuda and the U.S. As an adjunct to current interdiction efforts, the GOB is moving forward with a

number of demand reduction initiatives. One high priority project is the establishment of a "drug court" as a venue for adjudication of lesser offenses. This is modeled on a similar program in Pensacola, Florida, and will emphasize treatment and community service for first-time offenders in lieu of traditional incarceration. In September, the Attorney General and the Minister for Public Safety visited a "mentor" drug court program in Philadelphia and observed treatment facilities in Washington, D.C.

Law Enforcement Efforts. The British Government appointed a COT's Law Enforcement Advisor in January 2000. Based in Miami, the Advisor works closely with police, customs, and immigration services in the COTs to enhance their counterdrugs capability. Enhanced cooperation with the U.S. is also being considered. The Advisor also works with the COTs' Drug Councils and other bodies in the areas of demand reduction and drug awareness/education.

The Bermuda government formed a Combined Enforcement Intelligence Team to foster improved intelligence sharing between customs and the police. A Crimestoppers Hotline was established to tap into the Bermudian outrage over drug trafficking on the island. The 800 number is answered in Miami, Florida, and the tips are then passed back to the Bermuda Police Service. This arrangement has overcome the reluctance of many to provide information to the police for fear of having their voices recognized. Bermuda police and customs officers continue to make seizures of cannabis, cocaine and other dangerous drugs, usually on the strength of intelligence provided by DEA.

Corruption. There were no arrests or prosecutions of senior government or law enforcement officials for narcotics-related corruption in 2000. British authorities act expeditiously and effectively against any indication of corruption in the COTs, as they do in the UK itself.

A Bermudian customs officer and her accomplice, arrested in 1999, were recently convicted in U.S. district court in New York. They were found guilty of conspiring to import a large quantity of cocaine into Bermuda on a U.S. airliner. The GOB cooperated with U.S. law enforcement authorities in the arrest, and they respond effectively and expeditiously against any hint of corruption.

IV. U.S. Policy Initiatives and Programs

As noted above, the USG enjoys excellent maritime cooperation with the COTs and Bermuda and with the UK in the Caribbean region under the Maritime Law Enforcement Cooperation Agreement and support to JIATF-East. Collectively, these efforts have resulted in drug interdiction successes across the Caribbean region.

The U.S., along with the UK and other European states and Canada, provides support to the Caribbean Financial Action Task Force (CFATF), of which all the COTs and Bermuda are members. CFATF assists its members in identifying weaknesses and encouraging reforms in their anti-money laundering and financial services regulatory regimes. In addition, the U.S., in conjunction with the EU and the UK, funds the Caribbean Anti-money Laundering Program (CALP), which provides training and technical assistance in the areas of financial investigation, the legal and judicial aspects of financial sector regulation, and to financial sector employees and their regulators.

The Road Ahead. The U.S. looks forward to continued close cooperation with the UK Caribbean Overseas Territories and Bermuda on all counternarcotics fronts. The U.S. will continue to support the work of CFATF and CALP in further strengthening the financial sector regulatory and anti-money laundering regimes of the UK COTs and Bermuda. The DEA's New Jersey office is planning more training for the Bermuda narcotics squad in 2001.

Cuba

I. Summary

The Government of Cuba (GOC) has improved the sharing of information with the USG and other governments on international drug trafficking, but there remains a lack of authoritative information from the GOC with regard to domestic drug use and drug trafficking through and from Cuba. This lack of information makes it difficult to assess the severity of the problem. Although Cuba is not a major transit country for drugs coming to the United States, it remains a country of concern to USG counternarcotics agencies.

Cuba's unique geography presents an inviting environment to both air and maritime smugglers. The island stretches over 600 nautical miles (nm) east to west and presents to mariners over 3500 nm of coastline and more than 4000 islets and cays. Cuba's location in the northern Caribbean provides direct

and indirect paths for drug smugglers attempting to reach the United States. Compounding the challenge of geography is a small population (11 million) heavily concentrated in and around Havana and other urban centers, leaving the sparsely populated cays and eastern coasts vulnerable to illicit activity. Furthermore, increasing tourism, especially with Europe, presents the daunting prospect of increasing drug smuggling through Cuba to Europe.

Cuban interdiction efforts focus on customs searches of commercial aircraft and passengers as well as shipping traffic. The GOC is paying increasing attention to non-commercial boats and small aircraft that exploit its geography to avoid U.S. interdiction forces. The GOC has held numerous law enforcement training seminars and symposia, with international support, to increase the effectiveness of Cuban counterdrug forces. These events and interdiction successes are well publicized in Cuba's government-controlled media. Cuba has stiff penalties for producing, transporting, trafficking, introducing, or smuggling narcotics, but not for consuming them. Cuba's addition of anti-money laundering laws to prevent money laundering from taking root is a positive step against trafficking organizations. Cuba is a party to the 1988 UN Drug Convention.

II. Status of Country

There are no official GOC reports on internal drug problems or drug trafficking from or through Cuba to other countries, nor are there any reports of money laundering in 2000. Cuba does not appear to be a significant site for cultivation or production of drugs. Although there was a modest overall rise in drug use in Cuba in 2000, by Cubans as well as foreigners, the GOC continued to attribute drug use in Cuba to the growing number of tourists and to the drugs that wash ashore from disrupted smuggling ventures. Cuban officials blame their inability to patrol their territorial waters adequately on a lack of resources. However, they are in the process of upgrading their patrol boats and increasing their ability to interact with the U.S. Coast Guard.

Cuba's lead law enforcement agency on drug-related issues is the Ministry of the Interior's National Antidrug Department. The National Drug Commission (formed in 1989) is an interagency coordinating body headed by the Minister of Justice. The Ministries of Interior, Exterior Relations, Public Health, Education, and Culture are also represented on the commission, along with the customs and border guard services and national sports institute.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In 2000, Cuba continued its policy of internal, bilateral, and multilateral efforts at controlling drug crime. Cuba has begun a program to train all law enforcement officers in basic drug awareness topics, including prevention, by 2001. Smaller, in-depth counterdrug training seminars and symposia have been presented in Cuba with the cooperation of several countries including Colombia, Germany, Spain, France, the UK, and Canada. Cuba also made a presentation on its maritime drug interdiction operations at the October 2000 meeting of the Heads of National Drug Law Enforcement Agencies (Latin America and Caribbean).

Law Enforcement Efforts. Cuba and the United States continued to exchange drug related law enforcement information on a case-by-case basis and have expanded these efforts through a permanent U.S. Coast Guard drug interdiction specialist at the U.S. Interests Section (USINT) in Havana. The U.S. Coast Guard and Cuba's border guard (Spanish initials TGF for Tropas Guardas Fronteras) exchanged information several times in efforts to apprehend boats and crews involved in drug trafficking.

The Ministry of Interior (primarily TGF) conducted a major counterdrug operation from July through October of 2000, attempting to deter drug smugglers from skirting the eastern coast of Cuba while en route to the Bahamas and the United States. This operation resulted in several vessel seizures and arrests. Significantly, the operation was also used to produce a videotape that is being used to train TGF troops throughout Cuba on the drug trafficking threat and appropriate law enforcement tactics to combat the threat.

As a result of the 1999 report by the International Narcotics Control Board that advised that "technical assistance by donor countries and relevant international organizations would enhance the efforts of the Cuban border guard to intercept illicit drug consignments," the GOC received funds to upgrade TGF patrol boats. The Executive Director of the UNDCP documented the upgrades made possible by the international assistance when, on a visit to Cuba in February 2000, he noted "significant accomplishments of the Cubans in combating drugs, despite the paucity of available resources."

Drug Seizures/Arrests. Cuba's government-controlled press reported in November that 11,188 kilograms of illegal drugs were seized in the first ten months of 2000, a 2,500 kilogram increase over the amount seized in the same period of 1999. Of this amount, 5,884 kilograms were seized in the July-October operation, including 1,719 kilograms of cocaine and 4,165 kilograms of marijuana. The same article stated that, from 1995 through 2000, a total of 51 metric tons of drugs were seized and 262 foreign drug traffickers were arrested, of whom 176 remain imprisoned in Cuba.

The majority of Cuban drug seizures are from bales of drugs which drift ashore from disrupted maritime or air smuggling attempts. These "recalos" are a possible source of drugs for internal trafficking and consumption, but the GOC did not publish statistics for 2000 for arrests or prosecutions of Cubans on drug charges. The GOC continued to maintain that it had no serious domestic consumption problem and that domestic demand for drugs such as cocaine was low.

Corruption. Cuban authorities maintain that there is no evidence of narcotics-related corruption by government officials. No reports of narcotics-related corruption appeared in Cuba's state-controlled media in 2000. International counterdrug officials have not reported any evidence of corruption by GOC officials.

Asset Seizure. The GOC retains all property seized or suspected of being linked to narcotics trafficking. No GOC-published reports on asset forfeiture are available.

Agreements and Treaties. The GOC states that it maintains bilateral agreements on narcotics with 26 countries and less formal working arrangements with 26 others. In addition, Cuba cooperates with 12 international antidrug organizations. The U.S., Spain, and France have posted counternarcotics personnel to Havana to enhance counternarcotics efforts with the GOC. The UK and Canada have drug liaison officers who visit Cuba occasionally. Only recently have these officers begun to coordinate their bilateral efforts to maximize their effectiveness and minimize duplication. Through mid-2000, international partners had trained over 200 Cuban law enforcement officials in various subjects, including canine drug detection, vessel searches, and baggage searches. Cuba and the United States do not have a bilateral antinarcotics treaty or agreement, but continued to work together on a case-by-case basis. In March 2000, the U.S. Coast Guard and Cuban border guard began to use voice telephone communications to exchange time-critical tactical information. In September, a U.S. Coast Guard officer was permanently assigned to the U.S. Interests Section to further improve U.S. counterdrug efforts with Cuba. In December 2000, Cuba signed the UN Convention Against Transnational Organized Crime.

Cultivation/Production. There is no evidence that Cuba is a significant drug producing country. The GOC did not publish reports regarding crop size estimates, crop yields, or eradication efforts.

Drug Flow/Transit. As noted above, there is a lack of authoritative information about the nature and extent of drug trafficking from and through Cuba. Based on available information, trafficking of illegal narcotics in 2000 took place through Cuba's waters and airspace and through Cuban international airports. In the cases at sea, the narcotics were either transported by boat through Cuban waters or dropped by aircraft and picked up by "go-fast" boats waiting nearby. It appears that the immediate destination for many of these operations was the Bahamas, but the best estimate is that the final destination for most of the drugs was probably the United States. Smuggling by airline passengers appeared to be directed primarily toward European destinations.

Money Laundering. Cuba is not an international financial center. The GOC controls all financial institutions and its peso is not accepted outside of Cuba. According to the GOC, it has not prosecuted any money laundering cases since the National Assembly passed legislation criminalizing it in 1999. Cuba has solicited training assistance in combating money laundering from the UK, Canada, France, and Spain.

Chemical Control. Cuba is not, based on available information, a source of precursor chemicals. The GOC did not publicize any incidents involving precursor chemicals during 2000.

Domestic Programs/Demand Reduction. Little is known about Cuban drug prevention programs. The GOC officially claims that there is no drug consumption problem, but its officials are concerned about spillover of drugs from tourists to the local population. Antidrug policy and operations receive modest coverage in Cuba's government-controlled press. In 2000, international cooperation was the major theme of the press releases, but all included statements against internal drug consumption. Other public efforts include exhortations for people in the eastern provinces to turn in "recalos" (drug packages washed up on beaches) to local police, and an aircraft cleaner at Varadero international airport became a temporary national hero for discovering a package of heroin hidden on a jet destined

for Europe.

IV. U.S. Policy Initiatives

Bilateral Cooperation. The U.S. and Cuba do not share a bilateral narcotics agreement and the Department of State does not provide Cuba with funding for counternarcotics activities. The U.S. and Cuba enhanced communications in 2000 between the U.S Coast Guard and Cuban border guard by sharing information more frequently regarding aircraft and vessels suspected of trafficking. Cuban tactical responses to shared information forced several smuggling vessels to leave Cuban territorial waters toward pursuing U.S. Coast Guard vessels. As a result of the 1999 discussions aimed at expanding exchanges of information on counternarcotics matters, the U.S. Coast Guard assigned a permanent drug interdiction specialist to work with the GOC on a case-by-case basis. The U.S. and Cuba exchange information when necessary to prosecute drug traffickers.

The Road Ahead. The posting of a permanent drug interdiction specialist to the U.S. Interests Section in Havana presents an opportunity to learn more about Cuban counterdrug efforts. In addition, more frequent exchanges of information on suspected drug trafficking events may result in increased interdiction success for Cuban, U.S., and Bahamian law enforcement forces.

Dominican Republic

I. Summary

The Dominican Republic (DR) is a major transit country for South American drugs, mostly cocaine, moving to the United States. It serves drug smugglers as both a command-and-control center and transshipment point. Increasing amounts of designer drugs, especially "ecstasy," are being moved through the DR from Europe to the U.S. and Puerto Rico. While extradition of fugitives to the U.S. has become more routine as our bilateral extradition relationship continues to improve, there still is no regular process. A more regular and predictable extradition process remains a key U.S. objective in its bilateral relations with the DR.

The DR is designated a major money laundering country, but is not a regional financial center. Draft legislation to strengthen money laundering regulations is awaiting passage by the legislature.

The new government of Hipolito Mejia, installed in August 2000, has pledged full cooperation with the United States and other countries in counternarcotics activities. A National Drug Plan for the years 2000-2005, published in August, will guide its efforts. The DR is a party to the 1988 UN Drug Convention and its counternarcotics efforts are consistent with the goals of the Convention.

II. Status of Country

Intelligence and seizures throughout the region indicate that Dominican, Puerto Rican, and Colombian traffickers have made the DR a major command and control center. Many major drug shipments coordinated from the DR do not actually transit the DR.

The DR's role in drug trafficking, as pointed out in the country's National Counternarcotics Plan, "results not only from its geographic position in the zone, but also from the existence of structured criminal organizations integrated by Dominicans, Puerto Ricans and Colombians which operate in Santo Domingo as well as in New York, Boston, Providence and other cities. In general, the Colombians are in charge of control and supply in the Caribbean and begin the first phase of the transport. Later, Dominicans become the primary transporters." The Plan estimates that approximately 20 percent of the drugs arriving in the DR remain in the country as "payment in kind," and recognizes that this fact contributes to increasing drug abuse and crime in the country. The Government of the Dominican Republic (GODR) realizes that the transnational characteristics of the transport make transnational counternarcotics cooperation essential.

Commercial and non-commercial maritime vessels are the preferred mode of transport, but there are also significant seizures at Dominican airports. Small boats bring drugs in through the largely unprotected coastline or drop drugs near the shore for pickup and onward shipment. Some drugs brought into Haiti are moved to the DR to be loaded into containers for onward shipment. Smaller quantities of drugs are carried by cruise ship and commercial airline passengers.

Precursor chemicals are of increasing concern in the DR. The National Drug Council has prohibited the re-exportation of certain substances. Control for these substances is the responsibility of the Secretariat of Health.

The Department of Justice has put a hold on its ICITAP program to enhance criminal investigation techniques until the National Police implement adequate safeguards for protecting human rights and due process.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In April, the GODR submitted legislation to strengthen money laundering regulations. In August, the GODR published a National Drug Plan. In November, the GODR signed a bilateral agreement with Spain for counternarcotics assistance. That same month the U.S. and the GODR concluded a new, four-year, overflight agreement that permits USG aircraft to fly through DR airspace in pursuit of smugglers' aircraft.

Accomplishments. The DR's Directorate for National Drug Control (DNCD) and the Dominican military cooperate in efforts to close the country's borders to the flow of drugs. They have established special units of military personnel under the supervision of the DNCD, supported by the USG, to protect the country's border with Haiti and coastline. This year three special land control units were added to the four units already on the Haiti border. Three units were also established on the coastline for the purpose of preventing go-fast boat landings. The DNCD's canine unit increased from five to 15 dogs and handlers.

Illicit Cultivation, Production, Distribution. Although the DR is not considered a drug cultivating or producing country, its DNCD and Armed Forces located and destroyed several small fields of cannabis containing between 20 and 4,000 plants.

Drug Flow/Transit. Through December 2000, with USG cooperation and assistance, the DNCD seized 1,270 kilograms of cocaine, 2,900 kilograms of marijuana, 20 kilograms of heroin, 5.62 kilograms of crack cocaine, and made 4,625 drug-related arrests.

Sale, Transport and Financing. The DNCD pursues and arrests individuals involved in the financing of illegal activities and the sale and transport of illegal substances. However, weaknesses in asset forfeiture and money laundering legislation, combined with corruption and inefficient administration of justice, result in failure to convict and punish a significant number of drug offenders.

Law Enforcement Efforts. President Mejia appointed trusted associates to key counternarcotics posts and they have launched programs to meet the drug trafficking threat. They also have pledged full cooperation with USG counternarcotics agencies.

The Dominican Republic served as one of two regional command centers for DEA operations Conquistador and Libertador. During Operation Libertador, which took place from October 27 through November 19, 2000, a major Dominican trafficker and 25 of his associates were apprehended. The GODR seized the organization's assets, including luxury homes, vehicles, real estate holdings, and several businesses. The organization's leader is being held pending extradition to the U.S.

The DNCD's electronic surveillance unit has advanced to the point where evidence gathered in the DR will likely be used in U.S. courts.

The DNCD Joint Information and Coordination Center (JICC) is considered a model for the Caribbean and often receives visitors and provides training to JICC personnel from other countries.

Money Laundering. The DR faces a growing and systemic problem of narcotics-related money laundering, but lacks adequate laws to confront the problem. The DR has had an anti-money laundering statute since 1988, but the law is weak, loosely enforced and covers only laundering from the proceeds of narcotics trafficking. The former administration submitted draft legislation to strengthen money-laundering regulations to the Senate in April, but the new legislature has not yet considered it. The DR has participated in the Caribbean Financial Action Task Force (CFATF) since 1994 and underwent a mutual evaluation in 1997.

Asset Seizure. The Organization of American States' Inter-American Drug Abuse Control Commission (CICAD)-based asset forfeiture legislation, adopted in 1995, provides for the seizure of all "goods, products and instruments" of crime (only in cases of narcotics-related criminal activity). Under the legislation, the GODR seizes money, real and personal property, bank accounts, vehicles and aircraft. Although the GODR cannot legally forfeit seized assets until a court renders a definitive judgment, authorities are permitted provisional use of the seized assets pending forfeiture, which can create opportunities for abuse. In 2000, GODR authorities confiscated \$82,749, 96 vehicles, and 20 residential and business properties linked to narcotics-related crimes. The National Drug Council (CND) now holds seized assets in excess of \$40 million, but has no mechanism to manage the

divestment of the assets.

Extradition. The bilateral U.S./Dominican Extradition Treaty dates from 1910. Extradition of nationals is not mandatory under the Treaty and for many years Dominican legislation barred the extradition of Dominican nationals. Former President Fernandez signed legislation in 1998 allowing the extradition of Dominican nationals. In March 2000, the U.S. Marshals Service assigned two marshals temporarily to the DR. They have received excellent cooperation from the DNCD's Special Section for Fugitive Surveillance and other relevant Dominican authorities in locating fugitives and returning them to the U.S. to face justice. During 2000, this cooperation resulted in the extradition of four Dominicans and the expulsion/deportation of 14 U.S. citizens and third-country nationals.

Concern over the GODR's failure to apprehend two Dominican fugitives wanted for high profile murders in the State of New York resulted in certain members of the U.S. Congress placing holds, since removed, on some USG assistance to the GODR. One of these fugitives, charged with the murder of his wife, was apprehended in March 2000 and deported to the U.S. The other, wanted for the murder of a NYC police officer, was apprehended in November 2000 and awaits extradition.

Mutual Legal Assistance. The GODR does not have a formal Mutual Legal Assistance Treaty with the U.S. or any other country, but cooperates with USG agencies, including the DEA, FBI, and U.S. Marshals Service, in counternarcotics and fugitive matters.

Corruption. The GODR does not, as a matter of government policy, encourage or facilitate illicit production or distribution of narcotics, psychotropic drugs, and other controlled substances, nor does it contribute to drug money laundering. Dominican institutions are essentially weak and vulnerable to influence by interest groups or individuals with money to spend, including narcotics traffickers. The GODR has not prosecuted any senior government official for engaging in, encouraging, or in any way facilitating the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions.

The GODR is strengthening enforcement of a 1979 Law, which requires senior appointed, civil service, and elected government officials to file financial disclosure statements. In a major step forward, it has published the summaries of the sworn financial disclosure statements for all Dominican judges on the internet at <http://www.suprema.gov.do/jueces/dj.htm>.

Chemical Control. The Secretariat of Health has responsibility for the control of chemicals entering and departing the DR. The National Drug Control Council (CND) has prohibited the re-exportation of certain chemicals.

Demand Reduction. The GODR realizes it faces a growing problem of illegal drug abuse. Demand control programs are the responsibility of the CND, and its new leadership appears to be increasingly focussed on efforts to design a program to confront the problem. A 2000 survey among secondary students showed alcohol and tobacco continue to be the most prevalent drugs on the street, followed by inhalants and marijuana. Cocaine, crack, and ecstasy have become more available, with four percent of students reporting exposure.

Agreements and Treaties. In 2000, the GODR granted a four-year extension of overflight authority to the USG for rapid response in counternarcotics and alien smuggling operations. Also during 2000, the Narcotics Affairs Section signed Letters of Agreement with the GODR totaling slightly more than 1.5 million dollars. Programs supported include the border units, anti-money laundering initiatives, the fugitive unit, and the canine program. Programs that are being developed include commercial freight tracking and port security systems and Offices of Professional Responsibility in the DNCD and the Superintendency of Banking.

IV. U.S. Policy Initiatives and Programs

Cocaine trafficking, money laundering, institutional corruption, and reform of the prosecutorial and judicial systems remain the U.S.' primary counternarcotics concerns in the DR. The USG and the GODR cooperate to develop Dominican institutions that can interdict and seize narcotics shipments and conduct effective investigations leading to arrest, prosecutions, and convictions. The USG will continue to urge the GODR to improve its asset forfeiture procedures and its capacity to regulate financial institutions, maintain strict controls on precursor chemicals and continue its demand reduction programs. During 2000, USG assistance provided essential equipment and training, supported expansion of the Border Control Units, expanded the Canine Units, and helped the DNCD with polygraphing approximately 30 personnel working in the antidrug investigation unit. The USG directed its military assistance in the DR toward training and maintaining military assets critical for

narcotics interdiction activities.

The USG has funded DR efforts to locate, apprehend, and extradite individuals wanted on criminal charges in the United States. The USG has also provided funds to enable the GODR to upgrade computer systems at the international airports and purchase equipment to create machine-readable passports that is now being installed.

The GODR Armed Forces worked closely with the U.S. Coast Guard on counter drug operations and other maritime law enforcement issues. The Dominican Navy participated with its U.S. and EU partners in two region-wide counter drug exercises in 2000. The DNCD, DEA, and JIATF-East conducted helicopter training operations.

In March 2000, U.S. Customs provided, with Embassy funding, a short-term advisor who worked with Dominican officials to strengthen their drug interdiction program at seaports.

USAID's "Strengthened Rule of Law and Respect for Human Rights" program is working in concert with the Dominican court and prosecutorial systems to improve administration of justice, enhance access to justice, and support anticorruption programs. Measurable improvements to date include speedier, more transparent judicial processes managed by better trained, technically competent, and ethical judges who insist on stricter adherence to due process.

The USAID program trained more than 90 new entry-level prosecutors in basic criminal justice and prosecutorial skills. Criminal policy development assistance provided to officials, in both the Attorney General and the anticorruption prosecutor units, resulted in an unprecedented high profile public sector corruption investigation and in the filing of charges implicating senior officials of the previous administration.

The Road Ahead. The immediate USG goal is to help institutionalize judicial reform and good governance initiatives. The DR and U.S. are working to build coherent counternarcotics programs that can resist the pressures of corruption and can address new challenges brought by innovative narcotics trafficking organizations.

The U.S. and GODR will continue to strengthen drug control cooperation through sharing of information and developing closer working relationships among principal agencies. The U.S. will work closely with the GODR to build an effective asset forfeiture regime. The U.S. will continue to provide training for the DNCD's Border Control Units and support for the Canine Units. The DNCD's fugitive investigation teams will have U.S. support for their efforts to pursue Dominican fugitives from U.S. justice seeking refuge in the Dominican Republic. The U.S. is committed to support the Mejia administration's efforts to curb corruption, especially as it affects the prosecution of narcotics traffickers. The U.S. also has pledged aid in support of border and port security projects.

USAID has supported analysis and public debate which led to drafting of important legislation to reform the Criminal Procedures Code, to create a Public Ministry (prosecutor) Career Statute, and reform the existing money laundering law. An automated criminal case tracking system should be fully implemented in 2001.

Dominican Republic Statistics

(1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Seizures									
Cocaine (mt)	1.27	1.01	2.34	1.35	2.14	3.60	2.80	1.07	2.36
Heroin (mt)	0.020	0.012	0.069	0.008	0.005	—	—	—	—
Marijuana (mt)	2.90	0.18	0.11	0.78	1.01	1.00	6.81	0.31	6.45

Arrests/Detentions									
Nationals	4,454	3,918	1,676	1,431	3,097	3,388	2,810	—	4,484
Foreigners	161	111	—	50	69	11	158	—	264
Total Arrests	4,615	4,029	1,676	1,481	3,166	3,399	2,968	5,635	4,748

Dutch Caribbean

Aruba, the Netherlands Antilles, and the Netherlands (Holland) form the three parts of the Kingdom of the Netherlands. The two Caribbean parts of the Kingdom have autonomy over their internal affairs, with the right to exercise independent decision making in a number of counternarcotics areas. The Government of the Netherlands (GON) is responsible for the defense and foreign affairs of all three parts of the Kingdom and assists the Government of Aruba (GOA) and the Government of the Netherlands Antilles (GONA) in their efforts to combat narcotics trafficking. The Kingdom of the Netherlands is a party to the 1988 UN Drug Convention, and all three parts are subject to the Convention.

Netherlands Antilles

The islands of the Netherlands Antilles (NA) (Curaçao and Bonaire off Venezuela and Saba, Saint Eustatius, and Saint Maarten east of the U.S. Virgin Islands) continue to serve as northbound transshipment points for cocaine and increasing amounts of heroin coming from South America; chiefly Colombia, Venezuela, and Suriname. These shipments typically are transported to U.S. territory in the Caribbean by go-fast boats and to Europe by "mules" (drug couriers) who use commercial flights. Evidence in 2000 did not support a finding that drugs now entering the U.S. from the Netherlands Antilles are in an amount sufficient to have a significant effect. Nevertheless, the President's November 2000 notification to the U.S. Congress of the list of major drug source and transit countries stated that the entire eastern and southern Caribbean is an area of concern to be kept under observation. The DEA and local law enforcement saw an increase this year in go-fast boat traffic, some of which moved to Saint Maarten en route to Puerto Rico or the U.S. Virgin Islands.

Consistent with the increased go-fast traffic, arrests of "mules" at Hato Airport by local law enforcement set new records in 2000, filling Curaçao's jail to capacity. Various sources continue to report that, in addition to the go-fast activity and the small amounts intercepted by customs officers at the airport, large quantities of narcotics moved through the Netherlands Antilles in containers, but the lack of evidence obtained through seizures makes it difficult to verify these reports. Dutch Saint Maarten, with its free port and proximity to U.S. territory, also poses a serious threat as a staging ground for moving cocaine and heroin into the U.S. market.

The crime and homelessness stemming from drug abuse remain important concerns for the Government of the Netherlands Antilles (GONA). The rise in drug abuse is attributed to payment for drug trafficking services being made in cocaine rather than in cash.

Elected officials and all elements of the law enforcement and judicial community recognize that the NA, mainly by reason of geography, faces a serious threat from drug trafficking. The police, who are understaffed and inadequately trained, do not feel they have adequate resources to fight the threat effectively. The rigorous legal standards that must be met to prosecute cases significantly constrain the effectiveness of the police. As a result, the police prefer to pursue open-and-shut cases such as those against "mules" caught at the airport rather than tackling the complex, long term kind of case necessary to prosecute a major drug trafficker.

A far-reaching restructuring of the police is underway, however, and the first signs of improved performance are appearing. Increased police visibility is reassuring citizens that criminals do not control the streets. The police department also has instituted an assignments policy, "the right man for the right job," in order to address the long-standing problem that the personnel system rewards length-of-service rather than effectiveness. While pay is still linked to seniority, the new system is designed to reward initiative rather than years at a desk without a mistake. Recognizing the key role played by the criminal investigation service (CID), the new police chief has made improving the CID his top priority.

Second on his list of priorities is improving the expertise of the financial investigation team.

The specialized Dutch police units (RST) that support law enforcement in the Netherlands Antilles emerged in 2000 as dynamic and effective. Particularly noteworthy was an RST investigation that led to the successful prosecution of numerous police officers for involvement in the killing of a Venezuelan drug trafficker.

In addition to these improvements in law enforcement, the GONA demonstrated its commitment to the counternarcotics effort by continued support for a U.S. Forward Operating Location at Curacao's Hato International Airport. Under a ten-year agreement signed in March and now awaiting Dutch ratification, U.S. military aircraft are conducting counternarcotics detection and monitoring flights over both the source and transit zones from ramp space provided free of charge.

The Netherlands Antilles and Aruba Coast Guard (CGNAA), now an almost fully mature organization, scored a number of impressive successes in 2000. The CGNAA was responsible for several seizures (of both cocaine and marijuana). Its three new cutters, outfitted with rigid-hull inflatable boats designed especially for counternarcotics work in the Caribbean, demonstrated their utility against go-fast boats and other targets. In addition, the CGNAA has developed a premier counterdrug intelligence organization that has proven to be an invaluable international law enforcement partner.

Under the leadership of a highly professional attorney general, the GONA strengthened its cooperation with U.S. law enforcement further this past year. This cooperation extended to Saint Maarten, where the U.S. and GONA continued joint efforts against international organized crime, drug trafficking, and money laundering.

Aruba

Aruba is a transshipment point for cocaine and increasing quantities of heroin moving north, mainly from Colombia, to the U.S. and Europe. Drugs move north via cruise ships and the multiple daily flights to the U.S. and Europe. Evidence in 2000 did not support a finding that drugs entering the U.S. from Aruba are in an amount sufficient enough to have a significant effect. Nevertheless, the President's November 2000 notification to the U.S. Congress of the list of major drug source and transit countries stated that the entire eastern and southern Caribbean is an area of concern to be kept under observation. The island attracts drug traffickers with its good infrastructure, excellent flight connections, and light sentences to be served in prisons with relatively good living conditions.

While Aruba is, by any standard, a relatively crime-free island, Arubans worry about the easy availability of inexpensive drugs. They have begun to talk about traffickers being paid in cocaine rather than cash. Traffickers then convert the cocaine into cash, it is said, by cultivating new users. The most visible evidence of a drug abuse problem may be the homeless addicts, called chollars, whose photographs appear in the press in connection with stories about drug abuse.

Counternarcotics Efforts in Aruba. Drug abuse in Aruba remains a cause for concern. Private foundations on the island work on drug education and prevention and the Aruban government's top antidrug official actively reaches out to U.S. sources for materials to use in his office's prevention programs.

Aruban law enforcement officials changed their antidrug trafficking strategy in 2000. Instead of using limited resources to arrest low-level "mules," mostly at the airport, law enforcement officials shifted their focus to investigating and prosecuting mid-level drug traffickers who supply drugs to an endless parade of "mules." This shift yielded notable successes. Critics remain, however, and they complain that so little attention is now given to low-level street pushers that they enjoy virtually unimpeded freedom to sell widely available and cheap drugs to Aruban youth, increasing the domestic drug abuse problem.

The Government of Aruba (GOA) took further positive steps in 2000 to demonstrate its commitment to the international effort to combat drug trafficking. After welcoming the placement of U.S. Customs aircraft at a Forward Operating Location (FOL) at Reina Beatrix International Airport in 1999, the GOA continued throughout 2000 to make valuable commercial ramp space available to U.S. aircraft conducting aerial counternarcotics detection and monitoring missions. Aruba affirmed the long-term nature of its commitment to the FOL when it hosted the signing ceremony for the ten-year FOL agreement in March.

As part of its push to bring a still larger U.S. law enforcement presence to Aruba, the GOA welcomed U.S. Customs Service and U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) pre-clearance personnel in April 2000. These officers occupy facilities financed and

built by the GOA. Aruban officials actively and creatively explored ways to capitalize on the presence of the FOL and pre-clearance personnel, seeking to use resident U.S. law enforcement expertise to improve local law enforcement capabilities.

Aruba also continued to participate in the Coast Guard of the Netherlands Antilles and Aruba, which, as noted above, is enjoying increased effectiveness as the organization matures.

Actions Against Drugs in 2000

Agreements and Treaties. The 1988 UN Drug Convention was extended to the Netherlands Antilles in August 2000 and Aruba the following October. Although its extension was originally reported to have occurred in June 1999, an issue arose over the lack of uniformity between the asset forfeiture laws of the Netherlands Antilles and Aruba. Revised, uniform, legislation had to be drafted and enacted before the UN Convention finally could be extended.

Cultivation and Production. Cultivation and production are not issues.

Money Laundering. To combat money laundering, both the Netherlands Antilles and Aruba have passed money laundering legislation and established centers for analyzing reports of unusual financial transactions. The Netherlands Antilles Anti-money Laundering Committee worked throughout 2000 to improve the legislative framework for countering money laundering.

The staffs of the reporting centers (known as MOT's, their Dutch acronym) in Aruba and the Netherlands Antilles are tiny but dedicated. They are hampered by a high volume of transactions to be reviewed and a money laundering law that makes it difficult to obtain convictions. The reporting centers, based on the Dutch model, must process reports of all "unusual" transactions, far more numerous than reports of "suspicious" transactions (the criterion that the U.S. uses to select transactions for review).

The small MOT's risk being overwhelmed by the sheer volume of reports of unusual transactions. In addition, when the MOT passes a case to the police, the money laundering law requires proof of an underlying crime. This is a standard that so far has proven almost impossible for police to meet. The police lack training in sophisticated methods needed to build a successful money laundering case and the tough legal requirements place them at an even greater disadvantage. The recent arrival of key judicial personnel from the Netherlands with ample experience in financial crime may herald an improvement in this area.

The director of Free Zone Aruba has worked tirelessly to keep money laundering from shifting from the recently regulated financial sector into the still largely unregulated trade sector. He also has developed standards for use in deterring Free Zone corruption throughout the region and helped lead the multilateral effort to combat the Black Market Peso Exchange.

Corruption. The effect of official corruption on the production and processing of illegal drugs is not an issue for either Aruba or the Netherlands Antilles. Furthermore, there is no evidence to indicate that public officials are involved in the shipment of drugs or in discouraging the investigation or prosecution of drug shipment. To prevent such public corruption, there is a judiciary that enjoys a well-deserved reputation for integrity. It has close ties with the Dutch legal system including extensive seconding of Dutch prosecutors and judges to fill positions for which there are no qualified candidates among the small Antillean and Aruban populations.

Agreements and Treaties. Both Aruba and the Netherlands Antilles routinely honor requests made under the U.S.-Netherlands Mutual Legal Assistance Treaty and cooperate extensively with the U.S. on law enforcement matters at less formal levels.

While neither Aruba nor the Netherlands Antilles has specific legislation controlling precursor chemicals, DEA reports excellent informal cooperation from the relevant pharmaceutical authorities.

Domestic Programs/Demand Reduction. Both the Netherlands Antilles and Aruba have ongoing demand reduction programs, but need additional resources and would welcome any support that the U.S. could provide, including materials.

U.S. Policy Initiatives and Programs

As a matter of policy, the Department of State has no INL counternarcotics assistance programs with the governments in the Dutch Caribbean. The U.S. encourages Aruba and Netherlands Antilles law enforcement officials to participate in INL-funded regional training courses, but the GOA and GONA

must pay their own travel costs. The U.S. Coast Guard, twice during 2000, provided law enforcement training funded by the national governments.

The U.S. has begun exploring non-INL training such as sponsoring visits by financial experts from the Florida International Volunteer Corps to strengthen the financial reporting centers. It is also beginning to search for ways in which locally assigned U.S. law enforcement personnel can share their expertise with host country counterparts. Chiefly through DEA, the U.S. is able to provide limited assistance to enhance technical capabilities as well as some targeted training.

As an appreciation has grown in the Dutch Caribbean of the importance of intelligence to effective law enforcement, the USG is expanding intelligence-sharing with GOA and GONA officials. Because U.S.-provided intelligence must meet the strict requirements of local law, sharing of intelligence and law enforcement information requires ongoing, extensive liaison work to bridge the difference between U.S. and Dutch-based law.

Eastern Caribbean

I. Summary

The seven eastern Caribbean countries - Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines - form the eastern edge of the Caribbean transit zone for drugs, mostly cocaine, cannabis products and heroin, traveling from South America to the U.S. and other global markets. Illicit narcotics transit the eastern Caribbean mostly by sea, as shipments are moved to continental North America or Europe. Maritime narcotics shipments within the region are destined for Puerto Rico and other U.S. island territories, as well as the French Caribbean departments and Dutch jurisdictions. The Joint Interagency Task Force-East (JIATF-E) continued to report airdrops of cocaine in the eastern Caribbean in 2000. The level of cocaine, marijuana, and heroin trafficked through individual countries to the U.S. does not reach the level needed to designate any one of them a major drug transit country under the Foreign Assistance Act of 1961, as amended. Nonetheless, the President's November 2000 notification to the U.S. Congress of the list of major drug source and transit countries stated that the entire eastern and southern Caribbean is an area of concern to be kept under observation. If conditions warrant, the President will add relevant countries to the majors list. Marijuana is grown in St. Vincent, St. Lucia, and Dominica, primarily for local use or for export to other islands in the region. The overall level of production is below the threshold for designating any of these countries as major drug producers under the Foreign Assistance Act, yet the extent of marijuana production within St. Vincent and the Grenadines is significant in relation to its gross domestic product.

Drug trafficking, and the crimes that derive from it—money laundering, drug use, political influence-buying, violent crime, and intimidation—threaten the stability of the small independent countries of the eastern Caribbean. To varying degrees, the destructive nature of the drug trade and drug-related corruption have damaged civil society in all of these countries.

Colombian drug traffickers and various organized crime groups have infiltrated many of the eastern Caribbean nations, establishing their own infrastructure and contracting the services of local criminal organizations. To move the drugs within the region, many traffickers use a barter system, paying for services with drugs and/or weapons to limit costs and to increase demand and markets in the region. As a result, increased amounts of cocaine and crack cocaine remain in the eastern Caribbean and contribute to violent crime.

The seven eastern Caribbean states are party to the 1961 UN Single Convention and the 1988 UN Drug Convention. Other than St. Lucia and St. Vincent and the Grenadines, all countries are party to the 1971 UN Convention on Psychotropic Substances. None of the seven states have signed the Inter-American Convention against Corruption. All seven governments have signed and brought into force bilateral mutual legal assistance and extradition treaties with the U.S.

Eastern Caribbean officials regard marijuana production and trafficking as serious concerns. Dominica, St. Lucia, St. Kitts and Nevis, and Grenada have active ground-based eradication programs. No "Weedeater" U.S. airlift-assisted eradication exercises took place in the eastern Caribbean in 2000.

Most of the marijuana produced in the eastern Caribbean is consumed within the region or transported to Europe. Nevertheless, the U.S. supports and encourages eradication campaigns as a means to combat high levels of eastern Caribbean marijuana use and the corrupting and corrosive effect of this illegal trade. In general, eastern Caribbean law enforcement agencies are committed to controlling drug trafficking and working with their U.S. counterparts. Significant personnel resources are still spent on

arrests of relatively small-time traffickers and drug users as a means to control ever-increasing street crime. Meanwhile, conspiracy cases against ringleaders, complex financial investigations, money laundering and asset forfeiture cases are almost non-existent.

Some of the necessary criminal statutes exist in all eastern Caribbean countries, such as asset forfeiture and money laundering laws, yet most jurisdictions lack the modernized laws that allow law enforcement agencies to penetrate organized criminal groups. The May 1996 Barbados Plan of Action and the U.S.-Caribbean Summit Justice and Security Action Plan, as well as Caribbean police authorities on a regular basis, call for laws covering wiretap, controlled deliveries, conspiracy, authorization of undercover investigations, the use of paid informants, and plea bargaining. However, alleged constitutional impediments combined with an apparent lack of political will to tackle the problem have effectively thwarted such legal initiatives in most eastern Caribbean jurisdictions. Meanwhile, law enforcement and judicial authorities in some countries face the daunting task of developing cases with nineteenth century legislation against sophisticated twenty-first century criminal groups. Without a serious, broad-based modernization effort, it is unlikely the region will develop significant defenses against drug traffickers, money launderers, and international criminals who commit fraud.

Most of the seven countries devote significant resources and effort to maritime drug interdiction operations. In the absence of investigative leads, however, these efforts are costly and of limited effectiveness. Law enforcement authorities in the region acknowledge the need for increased information collection and sharing, and several of the countries have made efforts to create inter-agency drug intelligence centers. Traditional rivalries between law enforcement bodies and, in some jurisdictions, an apparent lack of political commitment to create such centers, have hindered progress on these initiatives.

Countries that have tried to broaden their offshore financial sectors without implementing effective regulation and oversight have been especially vulnerable to money laundering and to other financial crimes. This phenomenon is addressed in detail in the money laundering section of this report.

Dominica, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines have poorly regulated economic citizenship programs. Unscrupulous individuals have taken advantage of these programs to modify or create multiple identities and have used these identities to help create the offshore entities used in money laundering, financial fraud, migrant smuggling, and other illicit activities, as well as to facilitate the travel of the perpetrators of these crimes.

In 2000, the eastern Caribbean countries continued to work to implement the 1997 Caribbean-U.S. Summit Justice and Security Action Plan. The plan sets out a comprehensive set of measures to combat transnational crime, particularly drug trafficking and money-laundering. It calls for collaboration in strengthening criminal justice systems and interdiction efforts, combating small-arms smuggling and corruption, developing a criminal justice protection program, and reducing drug demand through education, rehabilitation, and eradication. Eastern Caribbean governments still need to take significant internal steps to meet some basic commitments, although they have achieved some progress in implementing the plan. Unfortunately, CARICOM cancelled the annual meeting of the U.S.-Caribbean Joint Committees on Justice and Security and on Economic Development in 2000. It has not yet been possible to establish a mutually acceptable date for rescheduling. Moreover, CARICOM had put its Justice and Security Action Plans Coordinator on indeterminate administrative leave status; he has returned to his job.

The eastern Caribbean states also continued to carry out the Barbados Plan of Action developed in 1996 at a Caribbean regional drug conference. These states have achieved considerable progress on many elements of the plan, but the USG shares other donors' concerns about the need to integrate demand reduction and interdiction activities more effectively under national drug councils. Doing so would increase information sharing and improve bilateral and multi-lateral cooperation concerning counternarcotics.

In 2000, the seven eastern Caribbean countries also continued to support the Regional Security System (RSS), a treaty-based organization to which all seven countries belong. The RSS coordinates some counternarcotics operations among member states. The RSS continued to operate a maritime training facility in Antigua for member-nation forces. Local instructors, assisted by U.S. and British trainers, provided various law enforcement and seamanship courses. In 1999, the U.S. delivered to Barbados the first of two C-26 surveillance aircraft, which, with U.S. assistance, the RSS is using to conduct maritime surveillance. In 2001, the U.S. will deliver a second C-26 aircraft to Barbados, which the RSS will use to expand its tactical maritime capability. During 2001, the U.S. will provide ongoing support for the operation and maintenance of both C-26 aircraft. Support for these aircraft will require a greater

financial commitment on the part of Barbados and the other RSS member countries when USG support to the program concludes.

During 2000, the U.S. Embassy in Barbados became aware of three possible occasions wherein the C-26 aircraft had transported high level government leaders to official but non-counterdrug functions in the region while the aircraft was otherwise engaged in normal missions. The Embassy discovered these few incidents during its review of RSS monthly reports and through its monitoring of the aircraft's missions. The Embassy has discussed these incidents with the RSS, both at the working level as well as directly with the Regional Security Coordinator. In addition, the 2001 Letter of Agreement between the USG and the RSS concerning the use of the C-26 aircraft is worded more restrictively to circumscribe such activities in the future.

II. Status of Countries and Actions Against Drugs

The islands of Antigua and Barbuda are drug transit sites for narcotics moving from South America to the U.S. and global markets. Mothership operations use "go-fast" boats as pickup vessels. Secluded beaches and uncontrolled marinas provide excellent areas to conduct the drug transfer operations. Cannabis cultivation on the islands is not significant and is for local consumption.

Antigua and Barbuda is a party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. The Government of Antigua and Barbuda (GOAB) has signed neither the Inter-American Convention against Corruption nor the Inter-American Convention on Mutual Legal Assistance on Legal Matters. The GOAB has signed the Inter-American Convention against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials (Inter-American Firearms Convention).

The USG and the GOAB signed a maritime drug law enforcement cooperation agreement in April 1995, and an overflight agreement in June 1996. In 1999, the GOAB was the first eastern Caribbean government to bring into force the new extradition and mutual legal assistance treaties. The GOAB was largely responsive to USG-initiated mutual legal assistance requests in 2000. The U.S. has made only one extradition request to Antigua and Barbuda since the treaty entered into force. This request, made in November 1999, is still pending, and the subject is out on bail. The next hearing is scheduled for February 2001.

In 2000, GOAB forces seized 24.5 kilograms of cocaine, 125.5 kilograms of marijuana, arrested 185 persons and eradicated 9,317 cannabis plants. A USG-provided 82-foot patrol boat delivered in mid-1998, sustained significant damage when it ran aground off Dominica during a hurricane in November 1999. It has not yet been repaired. The GOAB received substantial funds in 2000 via its asset seizure/sharing agreement with other countries.

The only rehabilitation center in Antigua and Barbuda is Crossroads, a 36-bed private drug treatment facility which offers treatment to international and local clients. The center offers its services to a limited number of local clients who can take advantage of special payment and after-treatment work programs to pay for treatment. In 2000, Crossroads and the GOAB continued their efforts to establish a halfway house in the capital, St. John's.

Barbados is a transit country and hub for cocaine products, heroin, and designer drugs entering by sea and by air from Colombia, Venezuela, Guyana and elsewhere in the region. These drugs often enter Barbados in container vessels, and smaller vessels also bring in marijuana from St. Vincent and the Grenadines. Container freight-forwarders and cruise lines are also reported to transport cocaine via Barbados. Most cocaine shipments entering Barbados and its territorial waters are destined for North America and Europe. However, in recent years, domestic cocaine and crack consumption have increased.

Barbados is party to the 1961 UN Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances and the 1988 UN Drug Convention. Barbados is neither signed nor ratified the Inter-American Convention against Corruption, the Inter-American Convention on Mutual Legal Assistance, or the Inter-American Firearms Convention. The GOB and the USG have brought into force three important elements of counternarcotics cooperation: a maritime agreement with overflight authority, and extradition and mutual legal assistance treaties.

In 2000, manpower shortages and coordination difficulties continued to interfere with Barbados's cooperation with U.S. law enforcement officials to arrest and prosecute major traffickers. However, the government procured a fleet of new police vehicles and refurbished police facilities in 2000 in an effort to improve the force's responsiveness. In late 2000, the Police Commissioner also announced

plans to root out "suspicious officers" who had been corrupted by narcotraffickers.

Government of Barbados (GOB) agencies reported seizing 59 kilograms of cocaine and 2,641 kilograms of marijuana in 2000. They arrested 933 persons on drug charges and eradicated 1,078 cannabis plants. The GOB terminated a longstanding USG counternarcotics assistance program in 1999 because of objections to human rights conditions connected to the program.

The GOB has implemented a penal system reform bill to provide alternative sentencing options beyond prison and fines. This includes community service orders, curfew orders, and other alternatives. The law is designed to reduce prison overcrowding and provide options for dealing with youthful offenders and drug-addicted criminals. Twenty-seven individuals were sentenced to community service during the first 15 days after the reforms were implemented. The government is also actively considering the establishment of a parole system and a specialized drug court.

The Proceeds of Crime Act of 1990 provides for the confiscation of property shown to have been derived or obtained by a person, directly or indirectly, from the commission of certain offenses, including drug trafficking and money laundering, and to enable law enforcement authorities to trace such proceeds, benefits, or property. Nevertheless, there were no significant asset seizures in 2000.

Barbados has drafted a national plan concerning supply and demand reduction for the period 2001-2005. However, as currently configured, the government's National Council on Substance Abuse (NCSA) focuses almost entirely on demand reduction. NCSA and various concerned NGOs, such as the National Committee for the Prevention of Alcoholism and Drug Dependency (NCPADD), are very active and effective. NCSA works closely with NGOs in prevention and education efforts and skills-training centers. Barbados's excellent D.A.R.E. Program remained active in the school system and continued to engage public and private sector sponsors to help continue the project following its USG-supported start-up. The mental health hospital provides drug detoxification.

Dominica serves as a transshipment and temporary storage area for drugs, mostly cocaine products, headed to the U.S. and to Europe via the French departments of Martinique and Guadeloupe. Go-fast boats bring shipments from St. Vincent and the Grenadines. Cannabis also is cultivated in Dominica. The Dominica police regularly conduct ground-based cannabis eradication missions in rugged, mountainous areas.

In 2000, Dominican law enforcement agencies reported seizing 413 gms of crack cocaine and 468 kilograms of marijuana. They eradicated 210,000 cannabis plants. Dominica police arrested 257 persons on drug charges.

Like the rest of the region, often-antiquated laws and a judicial process that emphasizes fines in lieu of jail sentences, especially for foreigners, continued to undermine efforts by the Dominica police to arrest drug traffickers. Act 20 of 1988, titled "Drugs (Prevention of Misuse)," directs asset forfeiture. Dominica seized a high-performance go-fast boat and outfitted it as a police pursuit boat in 2000.

The economic citizenship program, offshore banking, international business corporations, and internet gaming are lucrative sources of income for the government. However, the government's regulatory and investigative capabilities are not adequate to prevent abuse of these industries. Dominican citizenship can be purchased easily, with little-to-no background investigation and no residency requirement.

The Ministry of Health oversees drug demand reduction efforts. Underfunded and understaffed, the Ministry and its National Drug Prevention Unit have nevertheless been highly successful in establishing a series of community-based drug use prevention programs. Starting at age three and proceeding through age 15, school children receive drug use prevention education. The D.A.R.E. Program, a cooperative effort of the police force and the ministry of education, complements this effort in schools. There are no drug rehabilitation facilities in Dominica; the psychiatric hospital provides detoxification services.

Dominica is a party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. However, Dominica has not yet ratified the Inter-American Convention on Mutual Legal Assistance in Criminal Matters, the Inter-American Convention against Corruption, or the Inter-American Firearms Convention. Dominica and the U.S. have signed and brought into force a maritime agreement, a Mutual Legal Assistance Treaty (MLAT), and an extradition treaty. Dominica has not yet agreed to expand the maritime agreement to include overflight authority.

The Government of Grenada (GOG) reports that there has been an increase in narcotics trafficking, particularly cocaine, through Grenada's international airport. Private vessels passing through and

stopping in Grenada's coastal waters en route to U.S. and other markets are used to transport larger quantities. Grenada is a party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. Grenada has neither signed nor ratified the Inter-American Convention on Mutual Legal Assistance in Legal Matters or the Inter-American Convention against Corruption. Grenada has signed but not yet ratified the Inter-American Firearms Convention.

The GOG and the USG signed a maritime law enforcement cooperation agreement in 1995 and an overflight amendment to the maritime agreement in 1996. The GOG and the USG have also brought into force an extradition treaty and a Mutual Legal Assistance Treaty (MLAT).

Grenada has an active and growing offshore financial sector with offshore banks, international business corporations, and an economic citizenship program, but with only a minimal regulatory staff. The Grenada Financial Services Authority which was established in 2000 to oversee the offshore financial sector has been largely ineffective to date, but recently installed new leadership could increase the capacity and effectiveness of the agency. Serious questions remain, however, as to Grenada's will and ability to perform due diligence on applicants and otherwise properly regulate this sector. (See the money laundering section of this report.) The Proceeds of Crime Act requires a conviction before assets can be forfeited, though assets can be seized and held prior to conviction.

The Ministry of Education's Drug Prevention Unit is active. With the active involvement of many government agencies, the National Drug Avoidance Committee keeps drug prevention themes before the public. The police and the GOG at the highest levels actively support the committee. Drug use prevention education is incorporated into all levels of the educational curriculum of 32 primary schools. The D.A.R.E. Program continues to function well. Grenada's one 16-bed drug and alcohol treatment center continues to receive about 50 patients per year. Most patients are admitted for alcohol abuse; all treatment costs are borne by the government. The psychiatric hospital also provides drug detoxification.

Law enforcement agencies in Grenada cooperate well on drug control. They meet regularly to plan joint operations, thereby maximizing available assets. Grenadian authorities reported seizing approximately 96 kilograms of cocaine and 103 kilograms of marijuana in 2000. They arrested 225 persons on drug charges and eradicated 2,091 cannabis plants. No large-scale traffickers were arrested in 2000.

St. Kitts and Nevis is a regular transshipment center for cocaine from South America to the U.S. Drugs are transferred out of St. Kitts and Nevis primarily via small sailboats, fishing boats, and go-fast boats bound for Puerto Rico and the U.S. Virgin Islands. Trafficking organizations operating in St. Kitts are linked directly to South American traffickers and other organized crime groups, and appear highly organized. Because local traffickers are paid with drugs, which they then sell locally, local drug use, especially of crack cocaine, is increasing.

The USG since May 1996 has sought the extradition of three prominent drug traffickers wanted in the U.S. on drug trafficking charges. In October 1996, a magistrate initially ruled against the extradition. An appeals judge ordered the magistrate to reconsider his decision to deny the extraditions in April 1998, noting that sufficient evidence existed to try the defendants. Despite the appellate court's order, the magistrate refused to reverse his initial decision, arguing that the original order stood because the higher court judge had not quashed his original order. The USG again appealed the magistrate's decision, and in January 2000 a high court judge announced his decision to quash the lower court's October 1996 and January 1999 denials of the USG extradition requests. The defendants then filed notice of their intent to appeal the high court's decision to the Privy Council, the last court of appeal for the English-speaking Caribbean. Due to technical problems with court records, the Privy Council has not yet heard the case.

In late February 2000, one of the three defendants appeared before a magistrate, waived his rights, and stated his willingness to surrender to U.S. authorities. A Florida jury convicted him of two felony trafficking charges on December 5, 2000. The USG extradition request for the other two defendants is pending.

The Government of St. Kitts and Nevis (GOSKN) has made no effort since 1997 to seek the conviction of the assassin of Superintendent of Police Jude Matthew. A suspect in this drug-related case has been tried three times since the 1994 killing, and none of the juries have voted for convictions. During the third trial, which ended in June 1997, six people, including one of the three men the U.S. sought to extradite, were arrested and charged with jury tampering. The cases against them were ordered to be dropped for procedural reasons.

St. Kitts and Nevis is party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. The GOSKN has neither signed nor ratified the Inter-American Convention on Mutual Legal Assistance in Legal Matters or the Inter-American Convention against Corruption. The GOSKN has signed but not yet ratified the Inter-American Firearms Convention. The GOSKN signed a maritime law enforcement cooperation agreement with the U.S. in 1995, and an overflight amendment to the maritime agreement in 1996. In 2000, the USG and the GOSKN brought into force extradition and mutual legal assistance treaties.

St. Kitts and Nevis developed a master plan for drug control in 1996. Implementation of the plan was problematic, largely due to budgetary problems. The plan was refined and submitted to parliament in December 2000.

The GOSKN Defence Force, which was reestablished in 1997 after a 16-year hiatus, continued to augment the police's antinarcotics efforts, particularly in cannabis eradication operations. A new National Joint Headquarters (NHQ) was inaugurated in 2000. The NHQ serves as communications and cooperation hub for various law enforcement entities in the twin island federation. However, the reduction of the once-effective Kittitian drug squad from 20 members in 1998 to eight members by the end of 1999 undermined the GOSKN's antinarcotics efforts.

GOSKN officials reported seizing 53 kilograms of cocaine and 119 kilograms of marijuana in 2000. They arrested 64 people on drug charges and eradicated 34,057 cannabis plants.

The high degree of drug trafficking activity through and around St. Kitts and Nevis and the presence of known traffickers in St. Kitts place this small country at great risk for corruption and money laundering activity. (See Money Laundering section.)

St. Lucia has experienced a rapid increase in cocaine trafficking over the past five years. International narcotics traffickers are active in St. Lucia, working with local transshippers to stockpile cocaine awaiting onward shipment. Much of this cocaine comes from Colombia through Venezuela, either directly or via Trinidad and Tobago, or to a lesser extent St. Vincent and the Grenadines. The cocaine is then moved to Martinique or Dominica and on to Europe and the U.S. Much of the cocaine enters St. Lucia at or near its southern-most port of Vieux Fort. Drugs are commonly smuggled onto St. Lucia's rugged coastline through offshore airdrops followed by small boat transport to seaside caches. Some marijuana is cultivated, mostly for local consumption. The Government of St. Lucia (GOSL) has a good record on counternarcotics cooperation and is generally deemed one of the USG's most effective law enforcement partners in the Lesser Antilles.

The GOSL reported seizing 111 kilograms of cocaine and 1,804 kilograms of marijuana in 2000. They arrested 699 persons on drug charges and eradicated 134,250 cannabis plants. The USG and the GOSL cooperate extensively on law enforcement matters.

Law Number 22 of 1988, entitled "Drugs Prevention of Misuse Act," permits asset forfeiture after conviction. The law directs the forfeited proceeds to be applied to treatment, rehabilitation, education and preventative measures related to drug abuse. However, there were no significant asset forfeitures in 2000. Nor were any major drug traffickers arrested in 2000.

St. Lucia is a party to the 1961 UN Single Convention and its 1972 Protocol and the 1988 UN Drug Convention. St. Lucia has not acceded to the 1971 UN Convention on Psychotropic Substances. The GOSL has neither signed nor ratified the Inter-American Convention against Corruption or the Inter-American Convention on Mutual Assistance in Criminal Matters. The GOSL has signed but not yet ratified the Inter-American Convention against Firearms.

The GOSL signed a maritime agreement with the USG in 1995 and an overflight amendment to the maritime agreement. In February 2000, the U.S. and St. Lucia exchanged instruments of ratification which brought the MLAT and extradition treaties into force.

St. Lucia has instituted a centralized authority, the Substance Abuse Advisory Council Secretariat, to coordinate the government's national antidrug and substance abuse strategy. Various community groups, particularly the police public relations office, continue to be active in drug use prevention efforts, with a particular focus on youth. St. Lucia offers drug treatment and rehabilitation at an in-patient facility known as Turning Point, run by the Ministry of Health. The St. Lucian police report that the D.A.R.E. Program has been extremely successful.

St. Vincent and the Grenadines is the largest producer of marijuana in the eastern Caribbean and the source for much of the marijuana used in the region. In the inaccessible northern half of St. Vincent, extensive tracts are under intensive marijuana cultivation. Because of the country's small size,

cultivation does not reach the level of 5,000 hectares that the Foreign Assistance Act requires for a country to be designated as a major drug-producer, nor does it significantly affect the U.S. As such, despite the pervasive influence of the drug trade, St. Vincent is not designated a major drug-transit country under the Foreign Assistance Act. Compressed marijuana is sent from St. Vincent to neighboring islands via private vessels. St. Vincent and the Grenadines has also become a storage and transshipment point for narcotics, mostly cocaine, transferred from Trinidad and Tobago and South America on go-fast and inter-island cargo boats.

The illegal drug trade has infiltrated the economy of St. Vincent and the Grenadines and made some segments of the population dependent on marijuana production and trafficking. Though they acknowledge the dependence, many Vincentians have been reluctant to acknowledge the negative effects of the drug trade: a decline in civil society, drug addiction, reduced worker productivity, violent behavior, murders related to drug trafficking, disappearances, and increased general criminal activity.

In 2000, Government of St. Vincent and the Grenadines (GOSVG) officials reported seizing 50.5 kilograms of cocaine and 1,708.6 kilograms of marijuana. They arrested 490 persons on drug-related charges and eradicated 28,375 cannabis plants. With insufficient resources, the police, customs, and coast guard try to control the rugged terrain and adjacent sea of St. Vincent and the chain of islands making up the Grenadines. Their reaction capability is limited. No major traffickers were arrested and no significant assets seized in 2000.

St. Vincent and the Grenadines is party to the 1988 UN Drug Convention. It has not acceded to the UN Conventions of 1961 and 1971. The GOSVG has neither signed nor ratified the Inter-American Convention against Corruption or the Inter-American Convention on Mutual Assistance in Criminal Matters. The GOSVG has signed but not yet ratified the Inter-American Convention against Firearms. The GOSVG signed a maritime agreement with the USG in 1995, but it has not yet signed an overflight amendment to the maritime agreement. The GOSVG signed an extradition treaty in 1996, and an MLAT in January 1998, both of which were brought into force in September 1999.

An advisory council on drug abuse and prevention, mandated by statute, has been inactive for several years. The government mental hospital provides drug detoxification, but no in-patient drug rehabilitation services exist. The family life curriculum in the schools includes drug prevention education, and selected schools continue to receive warmly the police-run D.A.R.E. Program, helping to overcome a general lack of public trust in the police. Marion House, an NGO, offers drug counseling in St. Vincent and has developed worthwhile initiatives in prison officer training and prisoner rehabilitation.

French Caribbean/French Guiana

Martinique, Guadeloupe, the French side of St. Martin, St. Barthelemy, and French Guiana are subject to French law, including all international conventions to which France is a party. With the resources of France behind them, the French Caribbean Departments and French Guiana are meeting the goals and objectives of the 1988 UN Drug Convention. The Police Judiciaire, Gendarmerie, and French Customs Service together play a major role in narcotics law enforcement in France's overseas departments, just as they do in the other parts of France. South American cocaine moves through the French Caribbean and from French Guiana to Europe and, to a lesser extent, to the U.S. Although evidence in 2000 did not support a finding that drugs entering the U.S. from the French Caribbean had a significant effect on the U.S., the U.S. considers the broad geographical area of the eastern and southern Caribbean, of which the French Caribbean is a part, as an area of concern to be kept under observation. A small amount of cannabis is cultivated in French Guiana.

In December 2000, French Customs seized more than 16,000 ecstasy pills (worth approximately 1.3 million Francs) at the Pointe a Pitre airport, Guadeloupe, and placed two traffickers in custody. Weighing nearly five kilograms, this seizure of ecstasy was the largest ever in Guadeloupe. The drugs originated in Amsterdam and were intended for the American market.

In addition to the agreements and treaties discussed in the report on France, USG and GOF counternarcotics cooperation in the Caribbean is enhanced by a multilateral Caribbean customs mutual assistance agreement which provides for information sharing to enforce customs laws, including those related to drug trafficking. The assignment of a French Gendarmerie liaison officer to the U.S. Joint Interagency Task Force-East (JIATF East) at Key West, Florida has also enhanced law enforcement cooperation in the Caribbean. The USG and the GOF have been exploring a possible counternarcotics maritime agreement for the Caribbean for several years, and the USG still awaits a response from the GOF on language proposed by the USG in 1998. Pending such an agreement, U.S. and French authorities have maintained good operational relations in the Caribbean and have participated in joint

interdiction operations in the area.

In Martinique, the French Interministerial Drug Control Training Center (CIFAD) offers training in French, Spanish, and English to the Caribbean and Central and South America, covering such subjects as money laundering and precursor chemicals, mutual legal assistance and international legal cooperation, coast guard training, customs valuation, and drug control in airports. CIFAD coordinates its training activities with the UNDCP, OAS/CICAD, and individual donor nations. U.S. Customs officers periodically teach at CIFAD.

France supports European Union initiatives regarding counternarcotics assistance to the Caribbean. The EU and its member states, the U.S., and other individual and multinational donors are coordinating their assistance programs closely through established mini-Dublin groups in the region and through bilateral and multilateral discussions. The GOF provides the salary and support costs for the Deputy Director of the Caribbean Financial Action Task Force (CFATF), who is French, and participates actively in CFATF as a cooperating and supporting nation (COSUN).

Guyana

I. Summary

Guyana is a transshipment point for South American cocaine on its way to North America and Europe, although there is no evidence that the cocaine entering the U.S. from Guyana is in an amount sufficient to have a significant effect on the U.S. Cocaine enters Guyana by sea, river, overland, and airdrop. Traffickers then take advantage of Guyana's dense jungles, sparsely populated areas, and weak law enforcement and legal infrastructure to move the drugs to sea and air ports for onward shipment. Guyana is one of the poorest countries in the Hemisphere. Despite its limited resources, the Government of Guyana (GOG) achieved some successes in interdicting drugs in 2000. Both the Guyana Police Force (GPF) and the Customs AntiNarcotics Unit (CANU) cooperated with DEA, which covers Guyana from its office in Caracas, Venezuela. Guyana enacted legislation to prevent money laundering early in 2000, but it is not yet in effect. In November 2000, the GOG ratified the Inter-American Convention Against Corruption. The GOG has a National Drug Strategy Master Plan (1997-2000) that covers both supply and demand reduction, which the GOG needs to implement and update. Guyana is a party to the 1988 UN Drug Convention, but needs to pass and implement a wide range of additional legislation before it will be in compliance with the Convention's goals and objectives.

II. Status of Country

As Guyana's neighbors strengthen their drug interdiction efforts, traffickers are increasingly turning to Guyana as a safer transshipment route for South American cocaine. Guyana's borders are porous and largely unpatrolled, permitting narcotics to enter the country by road or by river. Airdrops also occur at a number of remote and unmonitored airstrips. The cocaine is then transported primarily to Georgetown, where it is moved by commercial ship or air via intermediate stops in the Caribbean or, increasingly, directly to the United States and Europe. Marijuana is cultivated on a small scale in Guyana's interior. The growing transit of narcotics through Guyana has resulted in increased domestic usage of illegal narcotics. The lack of resources for counterdrug law enforcement efforts, inadequate laws, and weak judicial infrastructure severely limit the GOG's ability to interdict drug shipments and arrest and prosecute drug traffickers.

III. Country Actions against Drugs in 2000

Policy Initiatives. Senior government officials consistently expressed commitment to fighting narcotics trafficking and cooperating with the U.S. and other Caribbean countries in counternarcotics efforts. The GOG has stated that it views as a high priority entering into a maritime counternarcotics law enforcement agreement with the U.S., and in January 2001, the U.S. and GOG initialed the text of such an agreement and signed a minute of negotiations. It is unclear, however, when the GOG will be able to sign the maritime cooperation agreement. The GOG also continued to support regional and local counternarcotics initiatives. Guyana's National Drug Strategy Master Plan (1997-2000) covers both supply and demand reduction, but further GOG action is needed to implement it. The GOG also needs to update the Plan for continued implementation beyond 2000.

Accomplishments. In February 2000, the Guyanese National Assembly passed legislation that criminalizes drug-related money laundering, allows for the expansion to other predicate offenses, and requires suspicious financial transaction reporting. However, the legislation is not yet in effect. In

November 2000, Guyana ratified the Inter-American Convention Against Corruption.

Law Enforcement Efforts. The GOG remains committed to combating narcotics trafficking through narcotics interdiction efforts, although the lack of resources severely inhibits its ability to carry out successful interdiction operations. Legislation enacted in 1999 granted CANU status as a bona fide law enforcement agency, with full arrest, seizure and prosecution powers. In April 2000, the GOG seized the Greek-owned vessel "New Charm" after CANU discovered 200 pounds of cocaine on board, but no criminal prosecution resulted from the seizure. The CANU and GPF continued to apprehend and arrest persons involved in the narcotics trade. The GPF reported that it arrested 12 drug smugglers in 2000 attempting to board flights to North America and Europe at Guyana's Cheddi Jagan International Airport. In December 2000, locally-trained GPF drug detection dogs located cocaine hidden in a New York-bound airliner's air vent.

The special CANU/GPF counternarcotics task force, created by President Jagdeo in late 1999, coordinated raids on drug dealers in several coastal villages in order to reduce the availability of drugs for local consumption. While active early in 2000, the task force did not carry out operations later in the year. Due to a lack of resources, GOG Coast Guard operations in 2000 were limited.

Corruption. Individual GPF and Customs officials reportedly were involved in assisting narcotics trafficking. However, few cases were fully investigated or prosecuted. To detect and deter corruption, the GOG needs to take steps to implement the Inter-American Convention Against Corruption, which it ratified in late 2000.

Asset Seizure. The GOG has not enacted legislation specifically covering asset seizure, asset forfeiture or asset and intelligence sharing. However, the new money laundering law does contain limited clauses addressing asset forfeiture.

Agreements and Treaties. Guyana is a party to the 1971 UN Convention on Psychotropic Substances and the 1988 UN Drug Convention. The 1931 U.S.-UK extradition treaty is still in force between Guyana and the U.S. Guyana has an agreement to share narcotics intelligence with the UK.

Cultivation/Production. A small amount of cannabis cultivation takes place in Guyana's interior. During 2000, CANU and the GPF AntiNarcotics Unit conducted marijuana eradication operations. Despite previous speculation, there are no confirmed reports of cocaine processing in Guyana.

Drug Flow/Transit. GOG officials believe that GOG counternarcotics agencies interdict only a small percentage of the substantial amounts of cocaine and coca paste that transits Guyana from Colombia or Peru.

Domestic Programs/Demand Reduction. Some marijuana is consumed domestically in Guyana, and domestic consumption of cocaine, crack cocaine, ecstasy and heroin is increasing. International drug traffickers reportedly have given narcotics as payments to their Guyanese associates, increasing the amount of narcotics available for local use. The GPF and the Ministry of Health carry out youth outreach through several local and international programs including D.A.R.E.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. In 2000, the U.S. continued to expand its counternarcotics cooperation with Guyana through visits by DEA personnel and discussions by senior Embassy and State Department officials with Guyanese officials. The U.S. also provided training and equipment to strengthen the GOG's counternarcotics agencies.

Bilateral Cooperation. In September 2000, the GOG signed a bilateral agreement with the USG accepting \$80,000 in State Department/INL funds for use in counternarcotics training and equipment. Through military training programs, the U.S. continued to provide the Guyanese Defense Force (GDF) with counternarcotics training. During 2000, INL funds were used to fund travel of Guyanese counternarcotics officials to international drug enforcement meetings and procure needed equipment. In August 2000, U.S. Customs conducted an INL-funded Carrier Initiative Program in Georgetown attended by 30 representatives of commercial carriers. Since February 2000, the GOG has provided two crewmen for the Caribbean Support Tender (CST), a U.S. Coast Guard vessel with a multinational crew that provides training and assistance in ship maintenance and repairs to Caribbean Coast Guards. The CST visited Guyana twice in 2000. In December, senior GDF officers met with USG officials at the Headquarters of the U.S. Southern Command and the Joint Interagency Task Force (East) to discuss the GDF's counternarcotics role.

The Road Ahead. As narcotics trafficking through Guyana increases, U.S. counterdrug agencies need

to ensure they do not lose sight of Guyana's problems given its unique geographic situation on the margins of both the Caribbean and South America. Guyanese leaders continue to be receptive to U.S. counternarcotics efforts and assistance as the narcotics problem grows in Guyana. As a result, the U.S. will seek to help the GOG combat narcotics trafficking by providing technical assistance, training, and equipment to improve the capacity of the GPF, CANU, and GDF. The U.S. is also prepared to provide technical assistance to assist the GOG in modernizing its anticrime legal framework and implementing the Inter-American AntiCorruption Convention. The U.S. will continue to encourage the GOG to take advantage of regional initiatives, such as the Caribbean Financial Action Task Force, and fulfill its commitments under the 1988 UN Drug Convention and the Bridgetown Summit Action Plan.

Haiti

I. Summary

Cocaine flow through Haiti decreased from 13 percent to 8 percent of the total detected flow in 2000, but little of this is attributable to the efforts of the Haitian Government. Despite this decrease, Haiti's location combined with extreme poverty, corruption, and limited law enforcement and justice capability continue to make Haiti a major transshipment point for South American narcotics, especially Colombian cocaine. The Organization of American States' (OAS) questioning of the legitimacy of the May 2000 National Assembly elections and the Government of Haiti's (GOH) lack of action to correct this situation resulted in the suspension of most international assistance to the Government of Haiti. In September, the GOH declined to sign a Letter of Agreement for U.S. Government (USG) counternarcotics assistance. In November, a U.S. law was enacted that stipulates that no U.S. assistance may be made available to the central Government of Haiti until two conditions (discussed in detail below) were met.

The Government of Haiti cooperated fully in a limited number of areas; specifically, on maritime interdiction operations with the U.S. Coast Guard and multilateral interdiction operations. However, attempts to curb corruption have been minimal. In September 2000, the United States and Haiti were unable to agree to terms for a Letter of Agreement for United States Government counternarcotics assistance.

From mid-1997 to the end of 2000, the passage of counternarcotics-related legislation related to counternarcotics measures was delayed by a prolonged political crisis. Elections in May 2000 resulted in a new Parliament that, by year's end, ratified a U.S.-Haitian bilateral maritime counterdrug agreement and an Inter-American Convention Against Corruption.

Former President Jean-Bertrand Aristide was elected as President and took office on February 7, 2001. In a December 27 letter to President Clinton, then President-Elect Aristide pledged to "enhance substantially cooperation to combat drug trafficking."

II. Status of Country

Haiti, was engulfed in a dangerously polarized political situation throughout 2000 that damaged further the country's meager economy. While elections in May restored a functioning Parliament after nearly a four-year lapse, irregularities in the election caused the opposition and much of the international community to question the legitimacy of the new Parliament. Former President Aristide was elected as president in November in an election boycotted by most opposition parties. He took office February 7, 2001.

The new Haitian Parliament's opening session was delayed over international concerns about irregularities in the May elections. Once in session, Parliament ratified the 1997 bilateral agreement with the United States on ending maritime trafficking and the Inter-American Convention against Corruption; and, in January 2001, it enacted the National Drug Control Strategy (NDCS) along with anti-money laundering legislation. The United States had lobbied for the passage of the NDCS and anti-money laundering bills and is working with the GOH on implementation plans. The GOH will need technical assistance to implement the legislation. The Foreign Operations, Export Financing, and Related Programs Act, 2001 (P.L. 106-429) stipulates that no funds appropriated by that Act or any previous Foreign Operations appropriations Act can be made available for assistance for the central Government of Haiti until the Secretary of State reports that Haiti has held free and fair elections to seat a new parliament and the Director of the U.S. Office of National Drug Control Policy (ONDCP) reports that Government of Haiti is fully cooperating with United States efforts to interdict illicit drug traffic through Haiti to the United States. Neither of these conditions has been met.

In a December 27 letter to President Clinton, President-Elect Aristide pledged, among other things, to

"enhance substantially cooperation to combat drug trafficking."

III. Country Actions Against Drugs in 2000

Policy Initiatives. Haiti's counternarcotics initiatives suffered due to the political impasse and economic instability and apparent lack of political will. The new parliament, however, moved quickly after President Aristide's election to approve antidrug legislation and a National Drug Control Strategy. Only asset forfeiture and chemical control laws remain to be enacted.

Illicit Cultivation and Production. Haiti is not a major drug cultivating or drug producing country. Cultivation, production, distribution, sale and possession of narcotics are illegal in Haiti. Some small marijuana cultivation sites were found in the country, likely intended for local use.

Money Laundering. On January 17, 2001, the Haitian parliament approved a money laundering law originally written in 1997. The legislature also approved the National Drug Control Strategy. In August Haiti's central bank published a circular directing commercial banks, savings banks, foreign exchange brokers and transfer agencies to report to the GOH individual monetary transactions valued at or above the Haitian gourde equivalent of 10,000 U.S. dollars. This is the GOH's first known attempt to address money laundering through Haitian banking institutions. The United Nations Drug Control Program (UNDCP) has provided a money-laundering expert to work with the GOH on implementing the new legislation.

Asset Seizure. The lack of asset forfeiture legislation and a functional seizure process has the Haitian government's ability to seize and utilize the property of criminals. Apart from abandoned Colombian go-fast boats recovered on the south coast, which were reconditioned by the USCG, the government has been unable to utilize the assets seized in drug raids. There were, however, reports in 2000 of property being returned to its owner after attempts to effect its seizure failed because of the lack of a clearly defined process.

Precursor Chemical Control. Haiti has no precursor chemical and essential chemicals control law. While suspect activity in precursor chemicals exists, no significant trade has been detected.

Demand Reduction. The GOH does not operate a demand reduction or public awareness program. Anecdotal reports indicate that local consumption is rising as traffickers increasingly pay their personnel in product. There have been many reports of local citizens seizing cocaine before it could be delivered to the individual in charge of transit through Haiti. Cocaine is widely known as "manna from heaven" throughout Haiti, as it has become a source of income for entire towns. Stolen drugs are re-sold to dealers who then either sell them locally or send them to the United States or Canada.

Law Enforcement Efforts. The GOH is aware of the nation's status as a principal transit zone for narcotics trafficked from South to North America. For the Government of Haiti, counternarcotics efforts are secondary to the far more pressing matters of political stability, public order, and economic development. While the GOH insists that it is willing to combat drug trafficking if provided with needed resources and intelligence information, the minimal law enforcement progress that was accomplished was a result of U.S. agents working side-by-side with fledgling Haitian narcotics officers.

The Haitian Coast Guard (HCG), a unit of the HNP that works closely with the U.S. Coast Guard (USCG), has shown promise of developing into effective counternarcotics entity. A USCG team that trained and advised the HCG was withdrawn in December 2000 to comply with legislative restrictions on assistance to the central government of Haiti. Expanded HCG patrols in 2000 targeted Haiti's ten most active ports. Working closely with the DEA, USCG, and HNP anti drug unit (French acronym is BLTS), the HCG boarded ships at sea and in port. It was the lead agency for the first-ever boarding and search of a large merchant vessel in Port-au-Prince harbor and seized sixteen vessels for suspicion of trafficking. While seizures were down in 2000, institutional and infrastructure development continued. A north coast base built with USG funds is almost complete, but a similar facility is needed on the southern coast of Haiti where most of the go-fast boats discharge their cocaine shipments.

During 2000, the HNP seized 238 kilograms of cocaine and just over 370 pounds of marijuana. Drug-related arrests matched the downward trend, with 58 recorded in 2000, compared to 72 in 1999.

With USG support, a trailer was refitted as an office and located at the Port-au-Prince seaport for use by the interagency maritime interdiction task force. It now serves as a coordination center for maritime interdiction activities off Haiti's coasts and in port. With DEA guidance, the task force has begun conducting port surveys throughout Haiti in an effort to develop sources of information and contacts with port authorities and other law enforcement entities. According to DEA, the Haitian airport and maritime drug units are evolving into disciplined professional units that are increasingly willing to work

with U.S. counterparts. The fledgling organizations show willingness to work and to improve their professional capabilities.

In January, the HNP Director General agreed to increase total BLTS agents from 25 to 75. At year's end, 26 new agents had been added, bringing the total to 49. The United States intends to polygraph these agents. In March, the GOH participated in Operation Conquistador, an operation that resulted in an increased level of vehicle and vessel searches, airline passenger and baggage inspection, and search warrants in areas of high drug trafficking activity. No large seizures were reported.

A Joint Information Coordination Center (JICC) began operations at the Port-au-Prince international airport in October 1999. The JICC has been used primarily for sharing information between Haitian authorities. No significant drug seizures were attributed to its operations in 2000. Because of GOH failure to appoint a director for the JICC, the USG suspended in September its support for a technical advisor.

A Haitian customs agent and his dog trained for three months in France with French Customs instructors. The dog and handler now assist in searches for contraband at the Port-au-Prince airport.

Corruption. Haiti recently ratified the Inter-American Convention Against Corruption. Despite continuing official declarations that corruption will not be tolerated, it is endemic throughout the HNP, Customs, Justice and Port Authority sectors. Public officials at all levels are paid salaries that are sufficiently meager to predispose them to bribery. High level GOH officials of the Preval administration and members of the National Assembly are also suspected of ties with narcotraffickers. **Agreements and Treaties.** Haiti is party to the 1961 UN Single Convention, its 1972 Protocol and the 1988 UN Drug Convention. Haiti has not ratified the 1971 Vienna Convention on Psychotropic Substances. In December 2000, Haiti was one of 125 countries to sign the UN Convention Against Transnational Organized Crime and the supplementary protocols on Migrant Smuggling and Trafficking in Persons.

Extradition. Haiti and the U.S. have had a bilateral Extradition Treaty since 1904. It has not been used in recent years. The Haitian constitution of 1987 forbids extradition of Haitians.

In December 1998, the GOH signed a Letter of Agreement with the U.S. in which it agreed to act diligently on U.S. requests for deportation or expulsion to the U.S. of non-Haitian nationals suspected of drug trafficking and wanted by the U.S. justice system. In August, the Haitian National Police (HNP) arrested a Colombian national wanted for parole violation in the U.S. and subsequently expelled him to the U.S. This was the first non-Haitian national expelled from Haiti to the U.S. pursuant to the 1998 agreement. In January, the GOH expelled suspected trafficker Gary Levell, a French citizen, to Florida where he was under indictment for drug trafficking.

Drug flow and transit. Cocaine flow through Haiti decreased from 13 percent to 8 percent of the total detected flow in 2000. Law enforcement actions, particularly U.S. Customs seizures of cocaine aboard Haitian freighters moored in the Miami River, account for some of this decrease. The largest factor may be the difficulties traffickers experienced in moving drugs through Haiti because of poor infrastructure or the seizure of drugs by rival traffickers or other criminals. Air shipments dropped significantly in 2000, particularly after several aircraft crashed trying to land on makeshift runways.

Most Colombian cocaine transiting Haiti now arrives on the southern coast in coastal freighters, container ships and small non-commercial boats. Port areas are largely unsecured and coastal areas are porous. The HCG has no routine presence on the south coast and local police do not take any action.

After cocaine enters Haiti, there are several methods of onward shipment. Some cocaine transits to the north coast and continues its journey in Haitian freighters or in containers bound for the U.S. Cocaine is the principal business in some coastal towns, including those on the northern side of the southern claw. Some crosses the border to the Dominican Republic to be loaded into containers or small vessels bound for North America or Europe. Some is transshipped in small vessels to Puerto Rico and then shipped via container cargo vessels or commercial airlines to North America or Europe.

IV U.S. Policy Initiatives and Programs

Some bilateral programs showed potential; however, the Government of Haiti (GOH) did not sign a Letter of Agreement for USG FY-2000 counternarcotics assistance funds, primarily because the GOH objected to the implications of the agreement's language prohibiting assistance to narcotraffickers. Assistance pending from previous years funding has been suspended until the new administration's intentions on counternarcotics cooperation are clarified.

Other U.S. programs, including those administered by the U.S. Department of Justice's ICITAP and OPDAT, were suspended during 2000 as a result of dissatisfaction with the results of the May elections and overall dissatisfaction with the programs as catalogued in a GAO report. The Bilateral Coast Guard Program, which showed measurable progress within 2000, was suspended as a result of restrictions in the FY-2001 Foreign Operations Appropriations Act (discussed above in the Status of Country section).

The Road Ahead. Despite this year's decline, little of which can be attributed to the efforts of the GOH, the quantity of drugs transiting Haiti is still far too high. This trade threatens the stability and integrity of Haitian institutions and will ruin countless lives in Haiti and elsewhere. The new administration of President Aristide needs to halt this trade and make the rooting out of its corrupting and destabilizing influences one of its top priorities.

The new Aristide administration must move quickly to implement the recently passed counternarcotics and anti-money laundering legislation. At the regional level, it should join the Caribbean Financial Action Task Force (CFATF), strengthen significantly counternarcotics cooperation with the neighboring Dominican Republic, and participate in regional counternarcotics interdiction exercises. Haiti also needs to establish a financial investigations unit that is able to analyze and investigate suspected money laundering. These law enforcement activities should be combined with education initiatives designed to convince Haiti's youth of the risks and consequences of addiction and to change public perceptions that engaging in drug trafficking is an acceptable means to escape poverty.

International assistance can play a strong part in assisting Haiti in confronting the drug trade. Such assistance, however, is valueless and will not be forthcoming unless Haiti moves decisively to strengthen law enforcement and judicial institutions, particularly to root out and establish effective internal controls against corruption. Without taking basic measures such as reinvigorating the Inspector General function of the Haitian National Police and enacting and implementing fully tough anticorruption statutes, Haiti's and the international community's efforts to fight illegal drugs there will be destined to be ineffective.

Jamaica

I. Summary

Jamaica is a major transit point for South American cocaine en route to the U.S. as well as the largest Caribbean producer and exporter of marijuana. During 2000, the Government of Jamaica (GOJ) made some progress toward meeting the goals and objectives of the 1988 UN Drug Convention. Increased trafficking through Jamaica indicates the need for the GOJ to intensify and focus its law enforcement efforts and to enhance its international cooperation.

In 2000, the GOJ amended its 1996 Money Laundering Act to add fraud, corruption, and firearms trafficking as predicate offenses. Further GOJ action is needed, however, to bring Jamaica in line with international standards, including an improved asset forfeiture regime and an operational financial analysis unit. In 1999, the GOJ enacted legislation enabling asset-sharing agreements with other governments; an agreement with the U.S. is pending.

The GOJ brought into force in April 2000 a Precursor Chemicals Act, budgeted for implementation of chemical controls, and is taking action, with U.S. assistance, to comply with recommendations provided by OAS/CICAD's Precursors Control Project. Although the GOJ made progress in implementing the recommendations contained in a 1997 port security assessment and increased security presence at its ports, drug traffickers continue to use Jamaica's air and seaports. U.S. Customs reports that Jamaica is the embarkation point of the largest number of passengers arrested with drugs at U.S. airports. While evidence from drug detection technology, such as ion scan, can be exploited under certain conditions, the GOJ should consider providing specific legislation to admit this type of evidence in Jamaican courts. In December 2000, the GOJ introduced a wiretap bill in Parliament.

The Fugitive Apprehension Team, a special police unit dedicated to the apprehension and eventual extradition of criminals wanted by the U.S., aided by officers of the U.S. Marshals Service, made over 20 arrests in 2000, more than double the number in 1999. The GOJ extradited 10 people to the U.S. in 2000 and is actively working on over 40 cases. Legislation creating drug courts came into force in 2000; the courts should begin sitting in 2001.

Corruption continues to undermine law enforcement and judicial efforts against drug-related crime in Jamaica. The GOJ reintroduced in Parliament its anticorruption bill, which passed in December, and amendments to strengthen the Parliament (Integrity of Members) Act. Implementation of these bills

and ratification of the Inter-American Convention Against Corruption could help the GOJ root out corruption in the public sector.

A significant increase in the flow of cocaine through Jamaica in the first half of 2000, coupled with reduced cocaine seizures and marijuana eradication by the GOJ, indicates that the GOJ needs to take more intensive law enforcement action with enhanced international cooperation to disrupt drug trafficking and production activities in Jamaican territory and waters. Such actions include the arrest and prosecution of significant drug traffickers operating in Jamaica, dismantling of small independent groups that conduct the drug trade, and increased drug seizures and eradication. As it agreed to do in 1998, the GOJ should develop a vetted special investigative unit to identify and target significant drug traffickers. Jamaican forces participated in combined operations under the Jamaica-U.S. bilateral maritime agreement, but should take full advantage of the agreement in order to reduce the drug flow through Jamaica. U.S. law enforcement agencies note that cooperation with their GOJ counterparts is generally good but could be significantly improved.

The GOJ has in place a national drug control strategy that covers both supply and demand reduction; the GOJ should add to it specific goals and objectives and measures of effectiveness. Jamaica is a party to the 1988 UN Drug Convention.

II. Status of Country

Jamaica is a major transit country for cocaine from South America destined for the U.S. and other markets, and also the foremost producer and exporter of marijuana in the Caribbean. Jamaica is not a significant regional financial center, tax haven, or offshore banking center, and local criminals distrust Jamaican financial institutions. Nevertheless, some money laundering does occur, most likely through the purchase of assets, such as houses or cars, rather than financial instruments. It is difficult, however, to distinguish between assets acquired from laundering operations and those resulting from legitimate remittances. Jamaica is not a source of precursor or essential chemicals used in the production of illicit narcotics. Nonetheless, the U.S. and OAS/CICAD are concerned over the vulnerability of Caribbean ports, including those in Jamaica, to illegal diversion of precursor and essential chemicals. Illicitly obtained isopropyl alcohol has been used to extract hashish oil.

III. Country Actions Against Drugs in 2000

Jamaica's counternarcotics efforts have taken place against a backdrop of severe resource constraints caused by a continuing recession: 2000 was Jamaica's fifth straight year of negative or flat economic growth.

Policy Initiatives. The GOJ publicly states its commitment to combating illegal drugs. Jamaica, however, operates under severe resource constraints, with over half of its national budget going for debt servicing.

A Precursor Chemicals Act, based on the recommendations of the 1988 UN Convention and the CICAD model regulations, entered into force in April 2000, although implementing regulations have not yet been finalized. In the course of drafting the implementing regulations, the GOJ identified weaknesses in the Act and is drafting amendments to strengthen it. GOJ officials are also working closely with DEA to identify training needs and establish a communication network between the concerned agencies, pursuant to the recommendations contained in the OAS/CICAD report. In December 2000, the GOJ introduced the Interception of Communications (wiretap) Act in Parliament that vests the authority to tap voice and electronic telecommunications with the courts rather than the Prime Minister. Legislation creating drug courts, passed by Parliament in late 1999, was enacted in 2000. Regulations for the courts have been drafted, and the courts should begin sitting in 2001.

Jamaica has a National AntiDrug Plan (1997-2002), that covers supply and demand reduction. The plan, however, does not contain goals and objectives and measures of effectiveness. The National Council on Drug Abuse (NCDA), the lead organization for revision of the Drug Plan, is proposing to hold a workshop under CICAD auspices to promote plan revision.

Accomplishments. In 2000, Parliament passed amendments to the 1996 Money Laundering Act that expand the predicate offenses to fraud, corruption, and firearms trafficking. Although the GOJ has taken steps to establish a financial analysis unit, including identifying staff and office space, it is not yet operational. The UNDCP provided a mentor in 2000 to work with the unit.

Although the GOJ took steps in 2000 to strengthen port security, Jamaica's air and seaports continue to be utilized by traffickers of illegal drugs. The GOJ has now implemented most of the

recommendations from the 1997 Port Security Assessment, including establishment of a challenge policy, repair of x-ray equipment, installation of closed circuit TV systems and implementation of a single ID policy at the airport. The only major outstanding recommendation is implementation of a single ID card for seaport access, which the GOJ states should be accomplished in 2001 with the return of the Port Security Force to the wharves. The GOJ is also entertaining bids for complete container inspection services. In 2000, the GOJ trained 29 new civilian immigration officers, permitting the release of security personnel back to security duties. The Contraband Enforcement Team (CET) is currently staffed with 21 Customs officers and two Jamaican Constabulary Force (JCF) personnel; however, the Customs modernization plan calls for expansion of the Customs component to 50 officers. CET personnel are now stationed at the ports on a 24-hour basis, as are JCF Narcotics Division personnel at the international airports - a move that contributed to double the number of drug courier arrests at Kingston's Manley Airport.

To serve as a deterrent to landings of drug-smuggling private planes, the GOJ made operational USG-provided trailers at two small domestic airports. The trailers are manned by JCF narcotics officers on a permanent 24-hour basis, but reaction and communication capabilities of the officers are limited. Nonetheless, the permanent presence of JCF at these airports appears to provide a deterrent effect as reports of suspected air trafficking have declined markedly.

In September 2000, Jamaica signed a Letter of Agreement (LOA) with the U.S. that supports projects designed to thwart the exploitation of Jamaican territory by drug producers and traffickers and other international criminals.

Law Enforcement Efforts. Both the Jamaican Defense Force (JDF) and the JCF assign a high priority to counternarcotics missions. While the JCF in general suffers from institutional problems recognized by the JCF leadership, the Narcotics Police of the JCF is a competent and respected unit.

Despite a significant increase in the estimated cocaine flow through Jamaica, in 2000, the GOJ seized 1,624.4 kilograms of cocaine, less than in 1999. Almost one-half of this amount (780 kilograms) was seized in a joint U.S. Coast Guard/DEA/JCF/JDF operation. The GOJ arrested 8,659 drug offenders, including 855 for cocaine-related offenses. The GOJ eradicated 517 hectares of marijuana in 2000, short of the goal of 1,200 hectares set out in the FY 99 Letter of Agreement (LOA) with the U.S. However, following a strike by prison guards, the JDF was assigned to provide emergency warder service and was unable to continue its eradication program, leaving the task totally to the JCF and reducing the manpower assigned to the program. In addition to the cannabis manually eradicated by JCF personnel, GOJ authorities in 2000 seized and destroyed 55.9 metric tons of marijuana, 20 kilograms of hashish, and 577.9 kilograms of hash oil.

The Fugitive Apprehension Team (FAT), a special unit established by the JCF, is dedicated to the capture and eventual extradition of criminals wanted by the U.S. Working closely with officers from the U.S. Marshals Service, the FAT made over 20 arrests in 2000. In July, the FAT arrested a drug trafficker who is the subject of a U.S. extradition request, but the trafficker subsequently escaped custody and has not been located. The Director of Public Prosecutions is investigating the events surrounding the escape. In 2000, the GOJ extradited Samuel Knowles, a major Bahamian drug trafficker, to the Bahamas. The Organized Crime Unit raided the home of James Pinnock of the Knowles organization, seizing computer equipment and currency of various nations, but has not yet arrested Pinnock. The GOJ did not establish a vetted special investigative unit to target major drug traffickers, which it agreed to do in 1998. Small independent groups, however, conduct most of the drug trade in Jamaica, and the Organized Crime Unit investigates these cases.

Corruption. Corruption continues to undermine law enforcement and judicial efforts against drug-related crime in Jamaica. The GOJ is seeking to address the issue of public corruption with passage in December 2000 of its anticorruption legislation, which defines acts of corruption by public servants, mandates asset declarations, and establishes a Corruption Commission to investigate corruption charges. The GOJ has indicated, however, that the Corruption (Prevention) Act will not come into force until it is amended to include recommendations from a government-sponsored report on corruption. In 2000, the GOJ also introduced in Parliament amendments to strengthen the Parliament (Integrity of Members) Act. The GOJ has stated that enactment of its anticorruption bill must occur before it can ratify the Inter-American Convention Against Corruption.

The GOJ does not encourage or facilitate the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. As a matter of policy, the GOJ prosecutes individuals who by reliable evidence are linked to drug-related activity. The GOJ has not prosecuted any senior Jamaican government official for facilitating the illicit production or distribution of such drugs or substances, or the laundering of

proceeds from illegal drug transactions. The GOJ has a policy of investigating credible reports of police corruption. One major investigation into alleged police narcocorruption is under way. In addition, the JCF received 11 reports of drug-related corruption involving police personnel in 2000, which are currently under investigation. One police officer was arrested for possession and dealing in marijuana. The JCF conducts drug testing of recruits at their initial physical exam, but does not have a policy of random drug testing. The JDF has a "zero tolerance" policy on drug involvement by its members.

Asset Forfeiture. During 2000, Jamaican authorities seized 72 motor vehicles, 34 boats, and three shipping containers in drug-related incidents. Eighteen of the boats have been formally forfeited under court procedures; the rest of the seized items remain in government custody. Jamaica's current asset forfeiture regime, however, does not permit the GOJ to take full advantage of the forfeiture mechanism, as the 1994 Drug Offenses (Forfeiture of Proceeds) Act requires a criminal drug-trafficking conviction as a prerequisite to the forfeiture of assets associated with drug trafficking. Jamaica does not have a civil forfeiture statute.

Agreements and Treaties. Jamaica has a Mutual Legal Assistance Treaty (MLAT) and an extradition treaty with the U.S. Both countries utilize the MLAT in combating illegal narcotics trafficking and other crimes. Jamaica is also a party to the MLAT among the Commonwealth states. A U.S.-Jamaica maritime counternarcotics cooperation agreement came into force in February 1998. Jamaica has ratified the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention.

The GOJ extradited ten people to the U.S. in 2000, more than double the four in 1999. There are 46 active pending extradition requests, 13 of which are proceeding through the courts following arrests. Jamaican authorities are generally receptive to and cooperative with U.S. requests for extradition. However, the numerous appeals available to criminal defendants, combined with an overburdened court system, mean that contested extradition requests can take four to five years (and possibly longer) to fully litigate.

Illicit Cultivation/Production. Jamaica is the largest Caribbean producer and exporter of marijuana. The consumption of marijuana is illegal in Jamaica, and the GOJ has consistently rejected calls for its legalization. In 1999, however, the upper house of Parliament called for establishment of a commission to review the "decriminalization" of personal usage of marijuana, and the ruling People's National Party unanimously adopted a resolution calling for the appointment of such a commission. While the commission held hearings during 2000, it has not yet produced any findings.

There is no accurate estimate of the amount of marijuana under cultivation or on the number of harvests per year, making eradication targets difficult. Crops are usually concealed in swamps and other remote areas that have limited road access. Past successes in eradication now make marijuana fields more difficult to locate without aerial surveillance, for which the GOJ has requested USG assistance due to its severely limited capacity. While in prior years, the JCF and JDF cooperated on a marijuana eradication program, as a result of the reassignment of JDF officers to prison duty, the JCF in 2000 had sole responsibility for the program, which is partially funded by the U.S. As a matter of policy, Jamaica does not use herbicide to eradicate cannabis. Manual cutting is the method utilized.

Drug Flow/Transit. Data for the first half of 2000 indicate that the amount of cocaine transiting Jamaica quadrupled compared to the same period in 1999, making it the leading transshipment point in the Caribbean. In the first two quarters of 2000, approximately 36 metric tons of cocaine are estimated to have transited Jamaica, compared to an estimated total of 31 metric tons for 1999. Cocaine arrives in Jamaica primarily by go-fast boats and concealed in commercial shipments. Jamaica-based traffickers use several methods to transport cocaine and marijuana on to the U.S. and other markets: shipments of one ton or more by go-fast boat; concealed in commercial shipments; hull attachments to merchant vessels; and couriers who board commercial airlines or cruise ship with drugs they have ingested or concealed in their clothing or luggage. U.S. Customs reports that Jamaica is the source of the largest number of passengers arrested with drugs at U.S. airports. Small independent groups conduct most of the drug trade in Jamaica.

Domestic Programs/Demand Reduction. Jamaica has several active demand reduction projects in place. The UNDCP is active in Jamaica and works directly with the GOJ and non-governmental organizations (NGOs) to improve demand reduction efforts. The European Union agreed to fund a large three-year demand reduction project that began in December 1999. Two of the most highly visible projects are those of the National Council on Drug Abuse (NCDA) and the NGO Addiction Alert. The UNDCP has funded an integrated demand reduction program managed by the NCDA. In 1999, Addiction Alert received U.S. funding for its adolescent drug prevention program and in 2000 was provided with a van. The GOJ makes extensive use of the audiovisual, print media and other

materials produced by U.S. Military Information Support Teams (MIST) deployed in country. The MIST teams have worked closely with national demand reduction agencies to develop and distribute materials reinforcing an antidrug message.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. law enforcement agencies note that cooperation with their GOJ counterparts is generally good but could be significantly improved. The JDF Coast Guard continued to participate in U.S.-Jamaican maritime interdiction operations under the bilateral maritime counternarcotics agreement, but in order to reduce drug flow through Jamaica, the Jamaican forces need to take full advantage of the maritime agreement. Despite limited resources, the GOJ spends substantial amounts to maintain an interdiction capability consisting of helicopters and patrol vessels. The U.S. augmented the JDF Coast Guard's assets with the provision in 2000 of two 82-foot cutters for coastal patrol. The U.S. is also funding the refurbishing of six boats, including two go-fast vessels for the JDF Coast Guard, in an effort to provide the JDF with vessels capable of interdicting go-fast vessels. The JCF formed a Fugitive Apprehension Team (FAT) in 1999, with U.S. assistance, to locate fugitives wanted for extradition to the U.S. The U.S. has supported the FAT with the presence of U.S. Marshals to aid the team. The U.S. also provided the FAT with specialized training, equipment and operational support. In 2000, the U.S. funded Jamaican participation in several regional training courses.

The GOJ continues to fund the operating expenses for the Caribbean Regional Drug Law Enforcement Training Center (REDTRAC) after the 1998 expiration of UNDCP funding. REDTRAC, built with U.S. funds under a UNDCP project, has provided specialized training for thousands of regional law enforcement officers since its 1996 inception. The U.S. provided funding and instructors for a number of courses at REDTRAC.

The Road Ahead. Jamaica has taken steps to protect itself against drug trafficking and other types of organized crime, but increased drug trafficking through Jamaica indicates the need for the GOJ to intensify and focus its law enforcement efforts and enhance its international cooperation. Further GOJ action is required to bring its anti-money laundering law in line with international standards, especially extending the law to cover laundering of the proceeds of all serious crime. The GOJ also should strengthen its asset forfeiture laws and, where necessary, enact legislation that will permit law enforcement to utilize modern crime control tools such as wiretaps and ion scan technology in building cases against organized crime. The GOJ also needs to revise its drug evidence exhibit legislation to include MDMA ("ecstasy") and other new drugs. The GOJ should take steps to strengthen its immigration controls so as to inhibit the free movement of drug traffickers and other criminals.

Now that Parliament has passed the anticorruption bill, ratification and implementation of the Inter-American Convention Against Corruption will further strengthen the GOJ's ability to counter corruption. Following ratification, the U.S. is prepared to provide technical assistance through an anticorruption expert, if the GOJ desires help to implement the Convention. The USG will continue to seek ways to assist the GOJ to improve its drug interdiction and marijuana eradication capabilities and is prepared to provide technical assistance and training toward this end. The U.S. will also continue to provide training and work closely with the police and public prosecutors to enhance their abilities to identify, investigate, successfully prosecute, and forfeit the assets of significant drug traffickers operating in Jamaica.

Jamaica Statistics

(1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Cannabis									
Potential Harvest (ha)	unk	unk	unk	317	527	305	308	744	389
Eradication (ha)	517	894	705	743	473	695	692	456	811

Cultivation (ha)	unk	unk	unk	1,060	1,000	1,000	1,000	1,200	1,200
Potential Yield(1) (mt)	unk	unk	unk	214	356	206	208	502	263
Seizures(2)									
Cocaine (mt)	1.625	4.601	1.160	0.414	0.236	0.571	0.179	0.160	0.49
Cannabis (mt)	55.87	56.22	35.91	24.00	52.99	37.20	46.00	75.00	35.00
Hashish Oil (kg)	578.00	371.49	144.05	383.00	263.41	278.00	47.00	235.00	165.00
Heroin (mt)	0.019	0.000	0.000	0.001	0.001	—	0.001	0.001	0.002
Arrests									
Nationals	8,238	6,385	7,093	3,143	2,996	3,325	788	899	785
Foreigners	421			221	267	380	98	517	364
Total Arrests	8,659	6,385	7,093	3,364	3,263	3,705	886	1,416	1,149

(1) Yield is based on an estimate of 675 kilograms per hectare.

(2) Data derived from official information supplied by the Narcotics Division, Jamaica Constabulary Force, except for hectares of marijuana cultivation, which is based on joint estimates from the JCF, JDF, and DEA.

Suriname

I. Summary

Suriname is a transshipment point for South American cocaine en route to Europe and the United States, and increasingly for European-produced MDMA (ecstasy) destined for the U.S. market. Evidence available in 2000 did not support a finding that the drugs entering the U.S. from Suriname were in an amount sufficient to have a significant effect on the U.S. Drugs transit Suriname via sea, river, and air routes. The lack of infrastructure in the largely unmonitored interior, which comprises 90 percent of the country, and weak border controls are the major obstacles in the detection of drug shipments into and out of the country. Government of Suriname (GOS) law enforcement officials, however, have achieved some successes in interdicting drugs. A high level of cooperation exists between U.S. agencies and GOS law enforcement officials. Domestic drug use in Suriname continues to grow. The principal obstacles to effective counternarcotics law enforcement are inadequate legislation, the lack of law enforcement resources, and drug-related corruption. Suriname is a party to the 1988 UN Drug Convention but has yet to implement legislation bringing it into complete conformity with the Convention.

II. Status of Country

Suriname is a conduit for cocaine transshipment from South America to Europe and the United States. While in the past the cocaine was primarily destined for Europe, GOS officials report an increase in the amount of cocaine intercepted en route to the U.S. Suriname is also being used to transship ecstasy originating in Europe to the U.S. There is no evidence, however, that indicates that the drugs entering the U.S. from Suriname in 2000 had a significant effect on the U.S. Much of the cocaine entering Suriname does so via small airstrips located throughout the dense jungle, some of which are also used for arms-for-drug swaps. Police have in the past received reports that precursor chemicals are stored in Suriname and may have been used in clandestine laboratories. The lack of resources for counternarcotics efforts, inadequate legislation, and drug-related corruption inhibit Suriname's ability to interdict drugs, and to identify, apprehend, and prosecute drug traffickers.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Venetiaan administration, which took office in August 2000, strongly opposes drug trafficking. GOS officials have expressed concern about the extent of drug trafficking through Suriname and increasing domestic drug abuse. The narcotics brigade of the Korps Politie Suriname (KPS), Suriname's police force, benefits from a high-visibility level within the police department because drug interdiction is a high-profile issue within Suriname and internationally. Customs, however, receives very few resources and almost no formal training, despite its active role in drug interdiction. GOS officials continued to participate in regional counternarcotics efforts. In 2000, Surinamese law enforcement officers took part in two regional antidrug operations organized by DEA. In mid-2000, Suriname paid its dues and several years of arrears to the Caribbean Financial Action Task Force and resumed its participation in that organization. Suriname has a Strategic Drugs Master Plan (2000-2005) that covers both supply and demand reduction, but needs to take steps to fully implement the Plan.

Law Enforcement Efforts. GOS law enforcement and customs officials tend to focus on individual smugglers and mules as opposed to major traffickers and their organizations, and rely mainly on profiling at the major ports of entry/exit. GOS police arrested each week an average of five to six mules or cocaine swallows attempting to board flights, primarily to Amsterdam, at Paramaribo's international airport, but estimated that as many as 20-30 more get through without detection. In 2000, law enforcement officials at the airport intercepted more than 110 kilograms of cocaine. In November, GOS police arrested two suspects in connection with a March 2000 incident in which nine kilograms of cocaine were found in Surinamese diplomatic bags at Amsterdam's Schiphol Airport. In late 2000, GOS customs officials, in two separate incidents, arrested individuals attempting to board flights to the U.S. with approximately \$800,000 worth of ecstasy tablets. In DEA-sponsored operations, approximately 75,000 cannabis plants were eradicated. During 2000, the GOS seized nearly 207 kilograms of cocaine and small amounts of crack cocaine, 107 kilograms of marijuana, and 61,232 ecstasy tablets.

Precise figures for the number of drugs-for-guns swaps that took place in 2000 are not available, but Surinamese police officers believe there was an increase from previous years. In 2000, Surinamese officials arrested eight individuals in connection with the crash of a plane suspected of being used for a guns-for-cocaine swap. The plane contained weapons, ammunition and money. In late 2000, Surinamese police arrested three suspects, a Surinamese, a Brazilian, and a Dutch national, and confiscated two airplanes, automatic weapons, and ammunition, during a raid on an airstrip near the western border with Guyana. To date, there have been no prosecutions connected with either event.

Corruption. Public corruption, though by no means universal, is a serious problem in Suriname. Reports of money laundering, drug trafficking and associated criminal activity involving current and former government and military officials continue unabated, if generally unproved through legal processes. Former strongman Desi Bouterse won election to the National Assembly in 2000 despite his conviction in the Netherlands in 1999 for narcotics trafficking (a conviction subsequently partially overturned as the result of an appeal). Bouterse's son, Dino, is repeatedly mentioned as being involved in narcotics transshipping and drugs-for-guns deals. He was declared persona non grata by the Brazilian government and recalled from a diplomatic posting in Brasilia in 1999 following media stories of his involvement in such activities. The Venetiaan government has pledged to put anticorruption efforts high on its priority list and, early in its administration, established an anticorruption commission. Suriname signed, but has not ratified, the Inter-American Convention Against Corruption.

Agreements and Treaties. Suriname is a party to the 1961 UN Single Convention on Narcotic Drugs and the 1971 UN Convention on Psychotropic Substances. It is also a party to the 1988 UN Drug Convention but has not yet implemented legislation bringing it into compliance with the Convention.

Suriname currently has legislation that conforms to the drug interdiction portion of the Convention. The GOS signed and ratified the OAS Convention on Mutual Legal Assistance in Criminal Matters. A comprehensive six-part bilateral maritime counternarcotics enforcement agreement with the U.S. entered into force in August 1999. The U.S.-Netherlands Extradition Treaty of 1904 is applicable to Suriname; but there have been no extraditions from the U.S. to Suriname or vice versa in Suriname's 25-year history. Suriname has, however, on at least one occasion deported a U.S. fugitive in lieu of extradition. Suriname and the Netherlands entered into a Mutual Legal Assistance Agreement in 1976 that has been used to share information on narcotics issues.

Cultivation and Production. Cannabis is grown and used in Suriname's tribal-influenced interior. During two separate DEA-sponsored operations this year, approximately 75,000 cannabis plants were discovered on land plots ranging from one to several acres. However, there is neither specific data on the number of hectares under cultivation nor evidence that cannabis is exported in significant quantities.

Drug Flow/Transit. Much of the cocaine entering Suriname does so through small airstrips located throughout the dense jungle interior where a lack of infrastructure, personnel, and equipment make detection and interdiction nearly impossible. Some of these airstrips are also used for arms-for-drugs swaps. In the past year, several airstrips have been identified, but there are no reports of any being eliminated. Drugs exit Suriname most often by air (via shipments and individual "balloon swallowers") and sea, through Paramaribo's harbor. European-produced ecstasy is transported via the thrice-weekly flights from the Netherlands to Suriname; drug couriers then transport the drugs to the U.S. on flights to Miami. Large quantities of ecstasy were also seized in Curacao and Aruba from passengers on flights from Suriname.

Domestic Programs/Demand Reduction. Suriname's domestic drug problem continues to grow. Suriname has a National Demand Reduction Strategy, but needs to do more to implement it. The National AntiDrug Council, police and non-governmental organizations (NGOs) emphasize drug education and rehabilitation in response to growing domestic drug consumption. Drug treatment clinics, however, have no detailed treatment plans for addicts and often rely on untrained volunteers for staffing. In June, the NGO "Kick the Habit" was founded to expand Suriname's demand reduction program. With funding from several international and local sources, the GOS hopes to promote demand reduction in the general population and especially among the younger generation.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. A high level of cooperation exists between U.S. and GOS law enforcement officials. Throughout 2000, the U.S. provided training and material support to elements of Suriname's police and military to promote greater bilateral cooperation. Building on work done in previous years, DEA and the Department of State assisted the cadre of dedicated law enforcement officials to increase their technical skills. Through several long-term temporary duty assignments, DEA provided training and logistical support to the narcotics unit of the police force. Other GOS drug enforcement agencies worked closely with U.S. agencies throughout the year. In September 2000, the U.S. and GOS signed a Letter of Agreement (LOA) providing Department of State counternarcotics funding. The LOA contains a framework for U.S.-GOS counternarcotics cooperation. In November 2000, the GOS signed a Memorandum of Agreement with the U.S. to provide two Surinamese crewmen for the Caribbean Support Tender, a U.S. Coast Guard vessel with a multinational crew that provides training and assistance in ship maintenance and repairs to Caribbean Coast Guards.

The Road Ahead. The U.S. will continue to encourage the GOS to enact laws to implement all aspects of the 1988 UN Drug Convention, including asset forfeiture and money laundering laws, and to apply forcefully the provisions already in effect. The U.S. will seek to enhance, through a variety of avenues, the close cooperation between the DEA, other U.S. agencies, and their Surinamese counterparts, and support continued GOS participation in regional counternarcotics efforts. The U.S. will provide training, technical assistance and equipment to strengthen the GOS's counternarcotics and anticorruption efforts. The U.S. Embassy will continue to work toward establishing a permanent DEA presence in Suriname.

Trinidad and Tobago

I. Summary

Trinidad and Tobago is a transit country for narcotics from South America to the U.S. and Europe. Evidence is insufficient, however, to establish that the quantity of drugs transiting Trinidad and Tobago has a significant effect on the U.S. In addition, marijuana is cultivated in Trinidad and Tobago

for domestic use and export to other countries in the region. However, the amount of marijuana produced is below the threshold for designating the country as a major drug producing country under the Foreign Assistance Act. The Government of Trinidad and Tobago (GOTT) is a strong ally of the U.S. on counternarcotics issues, and GOTT law enforcement agencies remain very cooperative with their USG counterparts. GOTT officials also continued to participate actively in regional counternarcotics fora and operations. In June, the GOTT hosted a Caribbean-wide Justice Ministerial, co-chaired by U.S. Attorney General Reno, during which the U.S. and GOTT signed a joint statement on law enforcement cooperation. The GOTT enacted legislation in 2000 to strengthen its counternarcotics, anti-money laundering, and anticorruption capabilities. During 2000, GOTT law enforcement authorities seized more cocaine and eradicated more marijuana than in 1999. While Trinidad and Tobago is not an important regional financial center, tax haven or offshore center, it is likely that some money laundering takes place. Trinidad and Tobago's counterdrug efforts have significantly improved as a result of USG-provided training and equipment, including radars, patrol boats, and aircraft. The GOTT is a party to the 1988 UN Drug Convention and continues to work vigorously toward meeting the Convention's objectives.

II. Status of Country

Located just off the tip of Venezuela, Trinidad and Tobago is a convenient transshipment point for South American cocaine destined for the U.S. and other markets. Two seizures during 2000 indicate that Trinidad and Tobago is also beginning to be used for transit of heroin originating in South America. Trinidad and Tobago is not a producer of coca or opium poppy. Marijuana is grown in Trinidad and Tobago, primarily for domestic use and export to other countries in the region, but not on a scale to make it a major drug-producing country. Trinidad and Tobago's petrochemical-based economy requires the import/export of precursor chemicals that can be diverted for use in the manufacture of cocaine hydrochloride. The nation's growing economy with well-developed communications and transportation produces a large number of sizeable transactions that could obscure money laundering. The GOTT, however, has historically taken a strong regulatory approach to its banking sector.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOTT has a counternarcotics master plan. The first half, approved in 1997, aims to reduce the supply of illicit drugs by prosecuting traffickers, strengthening the criminal justice system, and reducing opportunities for money laundering. The plan's second half seeks to reduce demand by establishing antidrug coalitions in each police district. Although the second half of the master plan has not yet been approved, the GOTT has been implementing the entire master plan. In 2000, the GOTT established a National Drug Council to oversee the plan's implementation and also revised the plan to incorporate legal reforms, human resource development, technical training, and rehabilitation. At the end of the year, GOTT ministries were reviewing the amended plan.

The GOTT continued to fund a U.S. Customs Advisory Team that is providing technical assistance in tracking and intercepting marine vessels and improving narcotics detections. The GOTT, with USG assistance, is reorganizing its Bureau of Inland Revenue to strengthen detection of and penalties for financial crimes and to establish a criminal investigation division.

In June 2000, the GOTT hosted a Caribbean-wide Justice Ministerial, co-chaired with the U.S., UK, and Canada, to showcase its Counter-Drug/Crime Task Force and to provide a forum to discuss best practices in counternarcotics efforts. The Ministerial, chaired on the U.S. side by Attorney General Reno, also provided the venue for signature of a joint statement reaffirming U.S.-GOTT law enforcement cooperation.

In May 1999, Trinidad and Tobago became the first Caribbean nation elected to the Vice Presidency, and in fall 2000 to the Presidency, of the OAS's Inter-American Drug Abuse Commission.

Accomplishments. In 2000, the GOTT passed legislation that imposes stiffer fines and imprisonment for both possession and trafficking in illegal drugs and provides for a court-supervised parole system in which drug addicts would be released from prison to undergo rehabilitation. The GOTT also passed an anti-money laundering bill in August that expands the list of predicate offenses to all serious crimes, requires reporting of large transactions and suspicious activities, and permits the confiscation of proceeds from crime. In 2000, legislation was passed to provide a mechanism for protection of witnesses, a serious problem in many narcotics cases.

In June, the court of appeal dismissed the appeals of four cocaine traffickers, and ordered them to serve life sentences for drug trafficking. The appellate court also ordered the confiscation of millions of

dollars in assets, the first such order under the Dangerous Drugs Act. The GOTT made significant progress in converting the estate of hanged drug trafficker Dole Chadee into a drug rehabilitation center, which is scheduled to open in 2001.

Law Enforcement Efforts. The GOTT's inter-ministerial Joint Operations Command Center (JOCC) coordinated maritime drug interdiction operations throughout the year, including the eighth joint maritime operation with the U.S. In October, the JOCC, for the first time, carried out two concurrent counternarcotics operations that resulted in 52 arrests and the destruction of 15 kilograms of cocaine.

The GOTT seized 203 kilograms of cocaine in the first three quarters of 2000, exceeding the total seized in 1999. This success was due to efforts of the Organized Crime and Narcotics Unit (OCNU), several regional counternarcotics interdiction operations coordinated through the JOCC, and one operation conducted by the Trinidad and Tobago Police Service (TTPS) during which 104 kilograms were seized from persons who retrieved cocaine that washed ashore in South Trinidad. In two separate incidents, the GOTT seized a total of 5.5 kilograms of heroin; the December seizure of approximately five kilograms was reported to be the largest seizure ever of heroin in Trinidad and Tobago. GOTT marijuana eradication operations in the first three quarters of 2000 resulted in the destruction of over 7.2 million marijuana plants and seedlings. The U.S. donated equipment for the GOTT's eradication effort and, in two operations, provided helicopters to transport the cutters to the marijuana cultivation.

In the first three quarters of 2000, the GOTT made over 3200 arrests for drug-related offenses. The GOTT estimates that 60 percent of the country's crime is related to narcotics.

Corruption. During 2000, no cases of drug-related corruption were filed against senior officials. The GOTT does not encourage or facilitate the illicit production or distribution of narcotics or the laundering of drug money. In 2000, the GOTT passed legislation that permits greater monitoring of the financial activities of a greater scope of public officials. Individuals are required to declare and explain the sources of their assets; an already-established integrity commission is authorized to initiate investigations. Following the 1998 escape and recapture (with U.S. assistance) of a major drug trafficker, the GOTT formed a high-ranking commission of inquiry to examine the circumstances of the incident. As a result of the commission's findings, charges were filed against three police officers, but the cases have not yet come to trial. Trinidad and Tobago is a party to the Inter-American Convention Against Corruption.

Agreements and Treaties. Trinidad and Tobago is party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Mutual legal assistance and extradition treaties with the U.S. entered into force in November 1999. A bilateral U.S.-GOTT maritime agreement is in force.

Cultivation and Production. Trinidad and Tobago is not a producer of cocaine or opium poppy. Marijuana is cultivated year-round in the forest and jungle areas of northern, eastern, and southern Trinidad and, to a minor extent, in Tobago. The GOTT reports there are approximately 142 hectares under cultivation. Marijuana is eradicated by cutting and burning plants manually. Aircraft and global positioning systems are used to detect crop areas and to facilitate ground troops in locating growing areas; aerially-applied herbicides are not used.

Drug Flow/Transit. Trinidad and Tobago's several airports and harbors, large volumes of cargo traffic, and a highly mobile population make it an attractive transshipment point for illicit drugs, primarily cocaine but also heroin, via air and sea. Several recent cocaine seizures and supporting information indicate that drug trafficking organizations are increasing their use of Trinidad and Tobago to facilitate the transshipment of cocaine to the U.S., but there is insufficient evidence to establish that the quantity of drugs transiting Trinidad and Tobago has a significant effect on the U.S. A network of narcotics-smuggling organizations operates in Trinidad and Tobago. Small fishing boats are the main method of conveyance for cocaine brought to Trinidad and Tobago, although large vessels, pleasure craft and airplanes also carry narcotics. Multi-kilogram quantities of cocaine most often are smuggled out by couriers and in air cargo; cocaine has been found in both the Trinidad and Tobago airports and on commercial airline flights that stopped en route from Guyana to North America. However, some multi-hundred kilogram quantities of cocaine have been seized from outbound commercial maritime conveyances. Although trafficking through Trinidad and Tobago has increased, many shipments are bypassing the country in favor of other islands, due in large part to the counternarcotics efforts of GOTT security forces. An increase in marijuana from Venezuela may indicate that demand is exceeding domestic supply, which has been reduced by increased GOTT marijuana eradication efforts.

Domestic Programs/Dem and Reduction. Programs to reduce the demand for illicit drugs are managed by the Ministries of Social Development and Education with assistance from non-

governmental organizations (NGOs). The GOTT funds the National Alcohol and Drug Abuse Prevention Program, which coordinates the activities of NGOs to reduce demand.

In 2000, the GOTT launched the D.A.R.E. program for 12- to 13- year-olds, carried out by the Community Policing Branch of the TTPS. The USG provided funds for program materials and teacher training. The U.S. also provided assistance to several police youth clubs, established by the TTPS Community Policing Branch to provide local children with positive role models and drug awareness programming.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S.' key policy objective is to assist the GOTT in eliminating the flow of narcotics through Trinidad and Tobago to the U.S. The U.S. has focused on enhancing the GOTT's ability to interdict narcotics shipments, strengthen antidrug trafficking laws, bring traffickers to trial, attack money laundering, deter public corruption, and protect witnesses from intimidation and murder.

Bilateral Cooperation. The U.S. has a very cooperative relationship with the GOTT, which plays a leading role in regional counterdrug efforts. GOTT officials consistently speak out against drug trafficking and in support of GOTT/U.S. counternarcotics cooperation. During her June visit to Trinidad and Tobago to participate in the GOTT-hosted Caribbean Justice Ministerial, then Attorney General Reno and Prime Minister Panday signed a joint statement on law enforcement cooperation in which both countries pledged to continue and expand bilateral cooperation in drug interdiction, detection of precursor chemicals, anti-money laundering efforts, drug rehabilitation and judicial reform.

Our strong bilateral cooperation was recognized by Trinidad and Tobago's selection as the southern command center for a 36-country antidrug operation organized by the DEA. To further enhance U.S.-GOTT counternarcotics efforts, the DEA added a third officer to its country office in 2000. The GOTT and U.S. also participated in two maritime exercises under the bilateral maritime counternarcotics cooperation agreement, during which personnel from the Trinidad and Tobago Defense Force, the U.S. Coast Guard and the U.S. Navy participated as observers on each other's vessels. In late 2000, the U.S. transferred to the GOTT an 82-foot patrol boat for maritime interdiction, bringing to three the total number of such boats transferred to the GOTT. The GOTT continued to operate two C-26 aircraft and two Piper Navajo aircraft, provided by the U.S. for counternarcotics surveillance. Since its commissioning in October 1999, the GOTT has provided 4 of the 16 international crewmen for the Caribbean Support Tender, a U.S. Coast Guard vessel with a multinational crew that provides training and assistance in ship maintenance and repairs to Caribbean Coast Guards.

DEA worked with the Ministry of Health to further strengthen the GOTT's precursor chemical control program, which is currently inadequate, through provision of in-country training. In addition, the U.S. is providing computers and software to assist in the GOTT's analysis of data obtained during inspections to determine if chemicals are being diverted into the illicit market.

A three-person U.S. Customs advisory team, funded by the GOTT, worked closely with the GOTT's Customs and Excise division to increase the effectiveness of its passenger and cargo processing and strengthen its counterdrug enforcement capabilities. The team also provided technical assistance and expertise in tracking small pleasure craft and cargo vessels and in support of the GOTT's canine narcotics-detection and marine interdictions programs. In 2000, an additional canine and handler were trained at the U.S. Customs Canine Enforcement Training Center. The U.S. is purchasing two new interceptor type vessels for the marine interdiction unit. U.S. Customs is donating three radars to improve the GOTT's coastal radar surveillance system that, with U.S.-donated radars and technical assistance, has been operating since 1998. To date, Customs has reported no significant seizures.

At GOTT invitation, an Internal Revenue Service tax assistance and advisory service team was established to modernize the Bureau of Inland Revenue. IRS is helping the GOTT plan a comprehensive criminal investigation division and providing technical assistance to enforce criminal statutes relative to tax administration and related financial crimes.

The Road Ahead. The U.S. will continue to work with the GOTT, through provision of technical assistance, training and equipment, to strengthen its counternarcotics and anti-money laundering capabilities. The U.S. will provide support to enhance the GOTT's maritime interdiction capabilities. The U.S. will also seek to improve the rule of law by encouraging legal reforms and providing assistance to reduce judicial delays and improve evidentiary laws. The U.S. will continue to work closely with the GOTT's counternarcotics task force on the implementation of money laundering and asset forfeiture laws. In addition, the U.S. will provide training, technical assistance and equipment for

the drug rehabilitation center the GOTT is establishing at a drug lord's confiscated estate. Representatives in Port of Spain will continue to participate actively in the Eastern Caribbean working group, which addresses counternarcotics issues from a subregional viewpoint.

[End.]

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Southwest Asia

Afghanistan

I. Summary

Afghanistan continues to be the world's largest opium producer after another year of major increases. Afghanistan now accounts for 72 percent of the world's illicit opium supply. Despite severe drought conditions in much of the country, reliable USG estimates indicate that cultivation increased by 25 percent and potential production reached 3,656 metric tons. Traffickers of Afghan heroin continued to route most of their production to Europe but also targeted the United States. The Taliban and Northern Alliance factions vie for national control of Afghanistan and both control territory used by cultivators, refiners and traffickers. The United Nations International Drug Control Program (UNDCP) and non-governmental organization (NGO) efforts at supply and demand reduction have had little success due to the lack of cooperation and support from the Afghan factions. The factions, especially the Taliban, which controls 96 percent of the territory where poppy is grown, promote poppy cultivation to finance weapons purchases as well as military operations. Those in positions of authority have made proclamations against poppy cultivation but have had little or no effect on the drug trade, which continues to expand.

The Taliban issued in late July a new ban on poppy cultivation. However, it is not clear how serious the Taliban's efforts are to enforce the ban. Nor is it clear that a ban on poppy cultivation will impede a drug trade suspected by the international community to have large quantities of opium in storage. The announcement of the opium ban has caused opium prices to rise, a boon for traffickers sitting on large stockpiles. Neither the Taliban nor the Northern Alliance has taken any significant action to seize stored opium, precursor chemicals or arrest and prosecute narcotics traffickers. On the contrary, authorities continue to tax the opium poppy crop at about ten percent, and allow it to be sold in open bazaars, traded and transported.

Afghanistan is party to the 1988 UN Drug Convention, but no political faction took meaningful steps in 2000 to meet Afghanistan's obligations under the Convention. In 1996, the Taliban pledged to deal with narcotic drugs according to international drug control conventions. In June 2000, the International Narcotics Control Board invoked article 14 of the Single Convention on Narcotic Drugs of 1961 against the Taliban for failing to extend support and cooperation to all international agencies working in the drug control field.

II. Status of Country

In 2000, Afghanistan remained the largest producer of opium poppy in the world, despite a protracted drought and an ongoing civil war and political instability. The Taliban and Northern Alliance continued to focus on the internal struggle for control of Afghanistan. By the end of 2000, the Taliban controlled 85 to 90 percent of the country's territory, including over 96 percent of the area where opium poppy is cultivated. The Northern Alliance has nominal control over the remaining four percent of the opium growing area, mostly in Badakhshan and Takhar provinces.

In the year 2000, potential production was estimated by the USG at 3,656 metric tons, two and a half times that of Burma, its nearest competitor for illicit poppy cultivation. New areas of poppy cultivation, high opium prices at planting and adequate water during the growing season spurred the record crop. Most of the poppy is grown on irrigated, prime agricultural land, and was unaffected by a

devastating drought in the region during 2000. Afghanistan's poppy fields therefore produce very high yields per hectare.

Drug production in and trafficking from Afghanistan is affecting, negatively, the region. The drug trade corrupts local authorities, is the major factor behind skyrocketing regional heroin addiction in refugee and indigenous populations, and is responsible for increased levels of terrorism and drug-related violence in neighboring countries. The Afghan drug trade also undermines the rule of law by generating large amounts of cash, contributing to regional money laundering and official corruption in countries with weak economies and institutions.

III. Country Actions against Drugs in 2000

Policy Initiatives. The U.S. Government does not recognize either of Afghanistan's major political factions but holds those factions responsible for illicit activities within their areas of control and operation. The Northern Alliance has taken no action of which we are aware against cultivation and trafficking in its area. However, in July 2000, Taliban "supreme leader" Mullah Omar issued a decree to end poppy cultivation nation-wide in the 2000/2001 growing season. This decree followed the one issued in September 1999 to reduce poppy cultivation by one-third. While there have been some credible reports of scattered enforcement actions related to the new ban on poppy cultivation, it will not be possible to assess the extent of any eradication or reduction in cultivation until mid-2001. The Taliban made no discernible attempt to enforce decrees banning or reducing poppy in 1997 and 1999. Rather, cultivation increased countrywide in those years.

Accomplishments. No Afghan faction took any significant steps to achieve the goals and objectives of the 1988 UN Drug Convention. In June 2000, the International Narcotics Control Board invoked article 14 of the Single Convention on Narcotic Drugs of 1961 for failing to extend support and cooperation to all international agencies working in the drug control field.

The "State High Commission for Drug Control" (SHCDC) is a partner with UNDCP in Taliban-controlled areas on drug control projects. UNDCP's pilot alternative development/poppy reduction projects in Nangarhar and Qandahar provinces had mixed results in achieving poppy reduction targets last growing season. UNDCP-managed small-scale development assistance projects did not achieve significant reductions in opium cultivation and claimed decreases were offset by the expansion of cultivation in new districts. Only in Qandahar did poppy cultivation actually decline, but not by one-third as decreed. Local authorities continued to maintain a 1998 ban on opium production imposed in the Xebec district of Badakhshan province. In 1999 Badakhshan authorities subsequently extended it to the districts of Eshkashem and parts of Baharak. As a whole, Badakhshan opium poppy cultivation declined by 16 percent in 2000.

Because alternative development programs have had little or no effect and the controlling authorities continue to profit from the illicit trade, the international community has grown resistant to supporting alternative development projects in Afghanistan. As a result, UNDCP has insufficient donor support for its Afghanistan alternative development programs and is closing them down. The U.S. continues to support the UNDCP's annual opium poppy survey in Afghanistan as well as UNDCP crop monitoring programs.

Law Enforcement Efforts. In the absence of an effective central government, a trained antinarcotics force and an operational drug policy in Afghanistan, there is virtually no counternarcotics law enforcement. Afghanistan does not have any effective national institutional arrangements for the planning and coordination of drug control efforts. Local Taliban authorities claimed to have seized and burned 335 kilograms of opium and 4,500 kilograms of cannabis publicly in Qandahar in March 2000 but this has not been verified. There were no independently verifiable reports of arrest or prosecution of drug traffickers or local drug dealers. In November, the Nangarhar Taliban authorities claimed to have closed down a drug market in the notorious Ghani Khel bazaar in Shinwar district. The head of the Taliban's Anti-Narcotics Commission claimed destruction of cannabis cultivation in Logar and Balkh provinces in June and July 2000. None of these reports could be verified. Some local Shuras (councils of elders) are reportedly supporting the 2000 poppy ban. During October to November 2000, 28 farmers in Nangarhar reportedly were detained for violating the ban on sowing poppy seeds.

Also in Nangarhar, local authorities reportedly eradicated 200 hectares of poppy along the Torkham-Darunta road in April 2000; however, independent observers suggest the area eradicated was far smaller than reported and may have already been harvested. Despite this and other Taliban promises to destroy heroin laboratories, open narcotics refining is flourishing.

Agreements and Treaties. Afghan governments have signed a number of international conventions,

and made specific commitments concerning the cultivation, trafficking and abuse of illicit drugs in Afghanistan. Afghanistan is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 Single Convention. There is no evidence of compliance with any of these agreements. Afghanistan also signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation and Production. Afghanistan is the world's largest producer of opium and a major producer of cannabis. An estimated 3,656 metric tons (MT) of opium gum was produced in 2000. Poppy cultivation and opium production increased 25 and 28 percent respectively, spurred by high opium prices at planting, adequate water conditions during the peak poppy growing season, and the failure of authorities to oppose the development of new areas for poppy cultivation.

Afghanistan's area under poppy cultivation has more than quadrupled since 1990. Opium poppy cultivation was found in 22 out of 29 provinces in 2000, according to the UNDCP. Helmand province alone accounted for more than half of the total opium poppy cultivation in Afghanistan and was responsible for 39 percent of the world illicit opium supply. By USG estimates, Helmand province dominated cultivation with 33,300 ha, followed by Nangarhar province with 15,800 ha in 2000.

An infrastructure for the production of morphine base and heroin has been developed in Afghanistan in contrast to the situation several years ago when nearly all heroin refining took place outside the country. Most laboratories refining opium into heroin operate in Nangarhar and Helmand provinces. Some laboratories also may be located near the Afghan borders of Central Asian countries.

Drug Flow/Transit. Opium trading in Afghanistan and Southwest Asia is well-organized and well developed. Traders offer growers advances to finance inputs, and tide growers over while the crop is in the ground. They visit households to buy opium. This credit, or advance payment on future opium production is an integral part of livelihood strategies in poppy producing areas of Afghanistan. The relatively stable value of opium and its nonperishability mean that it also serves as an important source of savings and investment among traders and cultivators. Taliban authorities reportedly facilitate the internal transit and export of drugs for traffickers.

As much as half the quantity of illicit drug produced in Afghanistan could be consumed in Afghanistan and its neighbors Iran, Pakistan, Tajikistan, Uzbekistan, Turkmenistan, and other states in Central Asia and the Persian Gulf, according to UNDCP estimates. U.S. seizure data suggest that at least five percent (approximately one metric ton) of the heroin imported into the U.S. originates in Afghanistan. Smuggling routes are varied. Historically heroin has been trafficked to Europe and North America through Pakistan, Iran, and Turkey, but smuggling routes through the Central Asian Republics are proliferating. Afghanistan provides raw opium primarily for local consumption in Pakistan, Iran, and the Persian Gulf, where trafficking organizations have strong links.

On a regional basis, UNDCP operates a number of programs to reduce Afghan drug trafficking in Southwest Asia, including specific law enforcement programs with Turkmenistan, Uzbekistan, Tajikistan, Pakistan, and Iran. Tajik, Iranian and Pakistani law enforcement forces are engaging more frequently in armed confrontations with well-equipped narcotics traffickers moving large quantities of drugs across the Afghanistan border.

Domestic Programs/Demand Reduction. Drug abuse is rising in Afghanistan. The increase in opium and heroin production inevitably has made more of these drugs available on the local market, despite any official attempts to prevent this from happening.

According to the UNDCP, heroin, opium and hashish are the most commonly abused drugs, along with a wide variety of easily available pharmaceutical drugs such as analgesics, hypno-sedatives and tranquilizers. Heroin, opium and other narcotics are almost exclusively ingested orally or inhaled, and are very rarely injected. Of particular concern is opium abuse among women and passive opium exposure of very young children. This year UNDCP cited anecdotal reports from Kabul suggesting an "epidemic" of tranquilizer use among women.

Heroin addiction is a rapidly growing problem especially in Jalalabad, Kabul, Qandahar, Herat as well as in expatriate Afghan communities in refugee camps. A Taliban court in October 1997 issued a decision that "addicts of illicit drugs should be referred to a hospital/treatment center to receive proper treatment." Nonetheless, the Taliban continues to incarcerate rather than treat drug addicts in Afghanistan. Effective institutional arrangements for the planning and coordination of demand reduction programs, in particular, are not in place in Afghanistan. Kabul's remaining mental hospital is reportedly the only place in Afghanistan providing limited specialized treatment for drug addicts. The hospital sees about 200 problem drug users per month, mostly heroin addicts. Some non-specialist

hospitals and clinics in Afghanistan provide treatment to drug users. In Badakhshan province, where between ten to 25 percent of the local population is believed to use opium, at least one NGO has set up drug treatment facilities, but security concerns have forced the UNDCP to close a demand reduction program in Badakhshan.

UNDCP's drug awareness program in Afghanistan is limited by a lack of resources. Its drug demand reduction program focuses on the need for providing community based drug treatment and prevention programs. With the BBC Afghan Education Project, the UNDCP's Drug Demand Reduction Project published 15,000 picture books on the effect of drugs, leaflets on the consequences of heroin and cannabis use, and posters and calendars with an antidrug message. In 2000, UNDCP organized campaigns in Qandahar using the district shura, community representatives, and local representatives. UNDCP also trained over a hundred female community mobilizers in drug awareness, basic health, and sanitation.

IV. U.S. Policy Initiatives and Programs

The U.S. continues to urge the Afghan factions to demonstrate that they take international drug control obligations seriously. USG officials have repeatedly urged Taliban officials to respect and implement Afghanistan's international obligations on terrorism, narcotics, and human rights. In addition, the U.S. introduced and actively promoted the adoption of Security Council resolution 1333, which requires all states to prevent the sale, supply, or transfer by their nationals or from their territories of acetic anhydride to any person in the territory in Afghanistan under Taliban control. Regionally, the U.S. is cooperating with the UNDCP and Afghanistan's neighbors to build national and regional capacities to counter the Afghan drug trade. The USG has been active in the UN-sanctioned Six Plus Two Group (Iran, Pakistan, China, Tajikistan, Uzbekistan, and Turkmenistan, plus the U.S. and Russia) in its efforts to launch a regional counternarcotics initiative. In May 2000, the USG supported a UNDCP-sponsored Technical Experts meeting in Vienna that brought together Six Plus Two members and donor countries to develop a broad-based response to situation in Afghanistan and the surrounding region. In September, with the exception of Turkmenistan, the Six Plus Two Group signed a Regional Action Plan to counter the Afghan drug trade.

The Road Ahead. Prospects for meaningful progress on drug control efforts in Afghanistan remain dim as long as the country remains at war. Nothing indicates that either the Taliban or the Northern Alliance intend to take serious action to destroy heroin or morphine base laboratories or stop drug trafficking. The degree of implementation of the 2000 opium poppy ban cannot be verified until mid-2001. To the extent that poppy continues to displace wheat production in Helmand and in the country as a whole, Afghanistan will face increasingly severe food shortages. The USG seeks to contain the flow of opium and heroin from Afghanistan through a stronger focus on regional counternarcotics cooperation. As coordinator of the Six Plus Two counternarcotics initiative, the USG will continue to support and advance the Regional Action Plan. The USG will continue to impress upon all Afghan factions the importance of unconditional and verifiable counternarcotics measures, not merely claims and publicity measures.

Afghanistan Statistics

(1992-2000)

	2000	1999	1998	1997	1996	1995	1994	1993	1992
Opium									
Potential Harvest (ha)	64,510	51,500	41,720	39,150	37,950	38,740	29,180	21,080	19,470
Eradication (ha)	—	—	—	—	—	—	—	—	—
Cultivation (ha)	64,510	51,500	41,720	39,150	37,950	38,740	29,180	21,080	19,470
Potential Yield(1) (mt)	3,656	2,861	2,340	2,184	2,099	1,250	950	685	640

(1) Note: Potential production estimates for 1996-1999 have been revised upward from previous INCSRs, reflecting improved methodologies for estimating opium yields. The estimates of land area under poppy cultivation in Afghanistan for those are unchanged and have not been revised.

Bangladesh

I. Summary

Surrounded by major drug producing and exporting countries, Bangladesh lies in the middle of one of the largest drug producing regions in the world. Although rumors persist of opium cultivation in some areas, Bangladesh is not a significant producer of narcotics. However, recent seizures of Southwest Asian heroin en route to Bangladesh indicate that trafficking organizations are using Bangladesh as a drug transit route. Bangladesh is also a consumer of illicit drugs. Local law enforcement agencies lack training, equipment, and other resources to detect and interdict drug shipments, and narcotics control efforts in Bangladesh lack coordination. Widespread corruption in the police aggravates law enforcement problems. Bangladesh is a party to the 1988 UN Drug Convention.

II. Status of Country

Unconfirmed reports indicate opium is cultivated in Bandarban District near the Burmese border. However, the extent (if any) to which Bangladesh produces illegal narcotics or precursor chemicals is unknown. Bangladesh authorities seized six kilograms (kg) of heroin from January through September 2000. However, Pakistani Customs officials in Karachi seized more than 39 kilograms of heroin en route to Dhaka in eight separate incidents during this same period.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In late November, the Bangladesh Government passed a new Narcotics Control Act, updating the law for the first time since 1990. This new law allows authorities to follow a drug shipment through to its destination, thereby identifying all the various channels involved. Prior law required authorities to seize the drugs immediately. The Narcotics Control Act of 2000 also includes a ban on precursor chemicals.

Accomplishments. In May 2000, Bangladesh completed construction of its central chemical laboratory (which includes some U.S.-provided equipment), designed to assist the Bangladesh Department of Narcotics Control in identifying and evaluating seized drugs. The lab has not yet become operational.

Law Enforcement Efforts. During the period from January through September 2000, law enforcement officials seized six kilograms of heroin, 3.9 metric tons cannabis and 140,000 bottles of Phensidyl, a cough syrup containing codeine widely abused in Bangladesh. In 1999 law enforcement officers seized a total of 28 kilograms of heroin (24 of which were seized in a single raid), 2.3 metric tons of cannabis and 113,000 bottles of Phensidyl. The Department of Narcotics Control (DNC) recruited twenty new officers directly from the university and gave them the rank of Assistant Deputy Director, a rank that would normally take twenty years to achieve in a move designed to limit the agents' vulnerability to corruption. While the DNC does offer some basic training, border guards, airport customs officers and police officers have little training in narcotics control.

Corruption. Corruption of government officials and law enforcement personnel is widespread in Bangladesh. Local police officers and government officials assist in smuggling goods, including narcotics. Corruption cases are rarely prosecuted, and corrupt officials are usually not punished beyond suspension or termination of government employment.

Asset Forfeiture. The Narcotics Control Act of 2000 grants the authorities the right to confiscate assets to combat drug-related money laundering.

Agreements and Treaties. Bangladesh is a party to the 1988 Drug Convention. Bangladesh also exchanges narcotics-related information with Burma, and it previously entered into a memorandum of understanding on narcotics cooperation with Iran.

Drug Flow/Transit. From January to September 2000, Pakistani Customs officials in Karachi seized more than 39 kilograms of heroin en route by air to Dhaka in eight different incidents. Obstacles to drug trafficking are few. The Department of Narcotics Control has no officers posted at the Chittagong airport, which receives 14 daily domestic flights and eight international flights per week. Customs officials receive no training in detecting narcotics. The DNC also does not conduct random searches of crew members, ships, boats, vehicles or containers at the Chittagong port. Guards along Bangladesh's porous borders with India and Burma, as well as postal officials, receive no training in detecting narcotics. Unconfirmed reports suggest that narcotics are shipped in parcels, especially from Pakistan.

Domestic Programs (Demand Reduction). Bangladesh has a large population of drug abusers, but the actual number of illegal drug users in Bangladesh, variously estimated between 100,000 and one million, is unknown. Drugs are inexpensive and readily available in certain areas of the major cities and in the border areas. There are some outpatient and some 14-day detoxification centers, but their long-term success rates are negligible. Bangladesh has four long-term residential rehabilitation centers, two started by a Catholic Brother, and two others just opened in 2000 by people who had worked with him. These centers appear to have had some success. The United Nations International Drug Control Program (UNDCP) had some awareness campaigns early in the year, but closed its operation in June 2000.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In July 2000, the U.S. delivered an analytical balance, a top-loading balance and a polarizing microscope to Bangladesh for the yet-to-be-opened central chemical laboratory for analysis of illicit drugs. The USG also sponsored a training seminar for police officers in Nepal, which Bangladesh police officers attended.

The Road Ahead. The U.S. is sponsoring an anticorruption seminar in Dhaka in January 2001, which will be attended by representatives from the South Asia region. This seminar will address an issue that plagues law enforcement efforts throughout South Asia and undermines efforts to control illegal narcotics. The U.S. also is currently studying a proposal that would help Bangladesh develop a more comprehensive strategy against narcotics, improve the investigative and forensic skills of law enforcement, and institutionalize modern law enforcement techniques and practices in training facilities.

India

I. Summary

India is one of the world's top producers of licit opium and is the sole producer of licit opium gum. It is a key heroin transshipment area due to its location between Southeast Asia and Southwest Asia, the two main sources of illicitly grown opium. India is a modest, but apparently growing producer of heroin for the international market. The government of India (GOI) continues to tighten controls to curtail diversion of licit opium, but an unknown yet significant quantity of licit opium finds its way to illicit markets. There was a significant increase in diversion of licit opium from the 1999 crop, but the 2000 crop suffered much less diversion. A small amount of illegal poppy is cultivated in the foothills of the Himalayas and northeastern India.

India continues to tighten controls on diversion and in 2000 agreed to a joint licit opium poppy survey (JLOPS) agreement with the U.S., a significant step in fighting diversion. The survey will provide a firmer scientific basis for minimum qualifying yields for farmers. India and Burma continue to cooperate on drugs regionally, holding regular working-level meetings on the border or policy level meetings in Rangoon or Delhi. Cooperation with Sri Lanka has been limited despite the apparent surge in heroin trafficking from southern India to Sri Lanka. India-Pakistan drug control cooperation has declined since the 1999 military coup in Pakistan, but border coordination meetings between the countries that address security issues including drug trafficking have continued.

GOI controls restrict access to acetic anhydride (AA), a chemical used to process opium into heroin. The chemicals n-acetylthranillic acid, ephedrine, and pseudoephedrine and their salts are also fully controlled. The GOI reviews its chemical controls annually and updates its list of "controlled substances" as necessary. The U.S. has requested that the GOI control all 22 chemicals listed in the annex to the 1988 UN Drug Convention. GOI is willing to consider controls if provided with compelling evidence that legally produced Indian chemicals, such as potassium permanganate, are being diverted to illegal drug production. India participates in the multilateral potassium permanganate tracking program, "Operation Purple," and is co-chairing the AA tracking program, "Operation Topaz."

India is a party to the 1961 UN Single Convention on Narcotics Drugs and its 1972 Protocol, the 1971 Convention on Psychotropic Substances and the 1988 UN Drug Convention but has not yet enacted money laundering legislation in line with the 1988 UN Convention. The Indian parliament continues to consider draft legislation that would explicitly criminalize money laundering, impose reporting requirements on financial institutions and intermediaries, and provide for seizure and confiscation of assets related to the proceeds of crime. The bill has been referred to a select committee of the upper house of India's Parliament, which has made certain recommendations. These are currently under

review by the executive branch.

II. Status of Country

India is the world's largest producer of legal opiates for pharmaceutical purposes and the only country that still produces opium gum rather than concentrate of poppy straw (CPS). The Central Bureau of Narcotics (CBN) oversees licit opium cultivation in India and regulates the export of precursor chemicals. Opium poppy is grown legally in the states of Madhya Pradesh, Rajasthan, and Uttar Pradesh. Under the terms of internationally agreed covenants, and to meet U.S. certification requirements, India is required to maintain licit production of opium and carry over stocks at levels no higher than those consistent with world demand, i.e., to avoid excessive production and stockpiling which could "lead" into illicit markets. India has complied with this requirement. In 1994, the GOI was unable to fill pharmaceutical companies' demands for opium because of an inaccurate inventory of opium stocks, and at the end of 1995, the chief controller of the factories estimated only five to ten metric tons (MT) remained in stock until the next harvest. This stagnation continued in 1996, but in 1997 sufficient rains combined with improved police enforcement and crop management techniques produced a sharp rise in the realized harvest to a record 1,341 metric tons (at 70 percent solid—the relatively "wet" opium collected by farmers).

Unfortunately, bad weather during the 1997-98 poppy growing season and a cultivator's "strike" which delayed planting led to a disastrous 1998 opium harvest of only 260 metric tons (at 90 percent solid). To fulfill domestic and international demand commitments the GOI "completely exhausted" its licit opium stockpile leaving no carryover stock from 1998. This precarious situation made an adequate 1999 harvest extremely important.

To meet India's share of anticipated world demand for licit opium in 2000 and rebuild domestic stockpiles toward an International Narcotics Control Board (INCB)-recommended level of about 750 metric tons (90 percent solid), the Indian government set a licit opium harvest target of 1,200 metric tons (90 percent solid) in 2000 (870 metric tons for export, 130 metric tons for domestic use and 200 metric tons for buffer stocks). To meet this goal, for the third consecutive year, the GOI continued to license a historically larger number of farmers and an increased area for poppy cultivation. For the 2000 opium harvest season, the GOI licensed 159,884 farmers to cultivate opium on 35,271 hectares.

The 2000 harvest yielded 1,302 metric tons at 90 percent solid (or 1,674 metric tons at 70 percent solid), the highest ever in Indian opium history. This was some 300 metric tons higher than the 1999 harvest of 971 metric tons from roughly the same amount of cultivated land and exceeded the GOI's target of 1,200 metric tons. Though the 1999 and 2000 harvests had identical weather conditions, enhanced enforcement during the harvest and weighing period prompted farmers to turn in higher yields in 2000. The average yield also showed an appreciable rise. The average yields in Madhya Pradesh, Rajasthan, and Uttar Pradesh (UP) were 55.79 kilograms, 53.82 kilograms and 44.77 kilograms respectively. The level of diversion from the licit opium crop, while always difficult to estimate, clearly declined from an alarming level in 1999, when up to 300 metric tons of opium gum may have been diverted to the black market. The success seen in 2000 appears due in large part to the more aggressive GOI drug control efforts during the harvest and collection period of the crop.

For the crop year 2001, the total licensed area has been reduced from 35,271 hectares to 25,375 hectares. Cultivators who had failed to achieve qualifying yields (at least 45 kilograms per hectare in Madhya Pradesh and Rajasthan) in the previous year were de-licensed. The GOI has not licensed any first time applicants for 2001.

While criminal elements produce heroin from both diverted legal opium and illegally grown opium, no reliable data are available on the extent of production. Poppies are grown illicitly in the Himalayan foothills of Kashmir and Uttar Pradesh, and in northeast India near the Bangladesh and Burmese borders in the states of Manipur, Mizoram, Nagaland, and Arunachal Pradesh. The quantities of illicit production appear relatively small, and there is little current indication that such opiates find their way into the export market for the United States. Heroin base ("brown sugar" heroin) is the domestic drug of choice. In the northeastern state of Manipur, injectable Southeast Asian heroin was common a few years ago and needle sharing spread the HIV virus. But since the mid-1990s the drug of choice in northeast India has been proxyvon, a painkiller in capsule form that is opened, the contents dissolved in water and then injected. Proxyvon is now the drug of choice as it costs about 34 cents per dose, compared to a price of \$2 and higher for a dose of heroin.

"Brown sugar" heroin, originating in India, is available in Nepal, Bangladesh, Sri Lanka, and the Maldives. Since January 1999, Indian authorities have seized more than 337 kilograms of refined heroin, at least part of which was produced in India, destined for Sri Lanka.

India produces acetic anhydride (AA) for the legal domestic and international chemical markets. Locally, much of the licit AA is used by the tanning industry. A significant quantity of AA continued to be diverted to heroin laboratories throughout South Asia, but apparently at levels considerably lower than in previous years. Through November 2000 the GOI had seized a total of 687 liters of AA. In 1993 the GOI imposed controls on the production, sale, transportation, import, and export of AA. These controls have reduced the availability of the chemical to the illicit market. Nevertheless, illicit diversion of precursor chemicals from India continues to occur.

India is also a transit route for illicit heroin, hashish, and morphine base from Afghanistan, Pakistan, Burma, and to a lesser extent, Nepal. The amount of Indian-origin heroin or other drugs that enters the U.S. is not believed to be significant. Some trafficking in Indian produced methaqualone to southern and eastern Africa continues, but this trade may be in decline as methaqualone production in Africa grows. Cannabis smuggled from Nepal is mainly consumed within India, but some makes its way to western destinations.

III. Country Action Against Drugs in 2000

Amendments to India's Narcotic Drugs and Psychotropic Substances (NDPS) Act of 1985, sought by the government since 1997, were passed by the upper house of parliament but are now under consideration before the Lok Sabha (the main parliamentary body). These amendments would: (1) streamline provisions relating to search and seizure by enforcement officials; (2) codify provisions for the civil forfeiture of the assets of drug traffickers; (3) simplify the procedures for controlled delivery enforcement operations; (4) reform sentencing guidelines to allow greater differentiation between minor and serious crimes to facilitate convictions of offenders; (5) clarify the application of bail for serious offenders more likely to disappear before trial; and (6) close various technical loopholes that hinder the prosecution and conviction of drug traffickers.

Chemical Controls. In recent years, the list of substances covered by the drug law has grown, and controls on precursor chemicals have been strengthened. To align Indian law more closely with recommendations of the UN Economic and Social Council and the UN Commission on Narcotic Drugs, the GOI has brought all substances included in schedules III and IV of the 1971 UN Convention on Psychotropic Substances under Indian import/export controls. In addition, the following new substances have been brought under controls: etryptamine, methcathinon, zipeprol, aminorex, brotizolam, and mesocarb. Regulations covering the precursor chemicals n-acetyl anthranilic acid and AA have been amended to require sellers to establish the identity of buyers before sales are vetted for approval. Besides these controlled chemicals, export of seven substances, namely, acetic anhydride, ephedrine, pseudoephedrine, 1-phenyl-2-propanone, 3,4-methylenedioxyphenyl, 1,2-propanone, methyl ethyl ketone and potassium permanganate require a "no objection certificate" (NOC) from the Central Bureau of Narcotics (CBN). Imports of acetic anhydride, ergometrine, ergotamine and heliotropin (piperonal) require an NOC from the CBN. These administrative controls are necessary because ergometrine, ergotamine and heliotropin (piperonal) are imported in India and could be misused for illicit manufacture of drugs.

The GOI reviews its chemical controls annually and updates its list of "controlled substances" as necessary. The U.S. has requested that the GOI control all 22 chemicals listed in the annex to the 1988 UN Drug Convention. The GOI is willing to consider controls if provided with compelling evidence that legally produced Indian chemicals, such as potassium permanganate, are being diverted to illegal drug production.

Accomplishments. India's various agencies involved in drug control work, particularly the CBN and the Narcotics Control Bureau (NCB), continued to take steps to curb drug trafficking and abuse in India during 2000. While CBN oversees the licit opium program and India's chemical industry, the NCB is responsible for counternarcotics efforts and law enforcement coordination. Efforts to advance India's commitment to meet international demand for licit opium and to control narcotics trafficking are noteworthy, as the following examples illustrate.

- Following the disastrous 1998 licit opium harvest and doubts concerning India's ability to meet its global licit opium commitments, India substantially increased the area to be licensed for cultivation to about 30,000 hectares and the number of licensed cultivators to 156,071. The 1999 harvest of 971 metric tons (at 90 percent solid) allowed India to meet world export requirements but failed to rebuild opium stockpiles to INCB-recommended levels. The 2000 harvest of 1,302 metric tons (at 90 percent solid) was sharply higher than the 1999 harvest and exceeded the GOI's target of 1,200 metric tons. This yield came from roughly the same amount of land under cultivation in 1999. As the 1999 and 2000 harvests had virtually identical weather conditions and came from roughly the same amount of land, the 300 metric tons increase in the

crop would seem to be attributable to enhanced enforcement during the harvest. One measure was that the GOI augmented CBN staff by 70 officers from central Customs and Excise on a 60-day detail during the opium gum harvest. In addition the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) provided 50 motorcycles to CBN in 1999, giving investigators greater mobility to inspect opium fields during the 2000 growing season and harvest. An additional unexpected 20 motorcycles were provided to the CBN by the GOI in 2000.

The government periodically raises the official price paid to farmers to increase incentives to licit cultivators for declaring and selling to the government all licitly grown opium. This price raise is related to the export price the U.S. and other countries are willing to offer in the international market for Indian opium. The GOI has been increasing the procurement price of licit opium by 20 to 25 percent annually in the last three years. For the crop year 2000, the price schedule (opium yield per hectare and price per kilogram at 70 percent solid) was:

- Up to 44 kilograms/hectare (ha)—Indian Rupees (Rs.) 630 (U.S. \$ 13)
- More than 44 kilograms/ha and up to 52 kilograms/ha—Rs. 650 (U.S. \$14)
- More than 52 kilograms/ha and up to 60 kilograms/ha—Rs. 800 (U.S. \$17)
- More than 60 kilograms/ha and up to 80 kilograms/ha—Rs. 1100 (U.S. \$23)
- More than 80 kilograms/ha and up to 100 kilograms/ha—Rs. 1200 (U.S. \$25)
- More than 100 kilograms/ha—Rs. 1400 (U.S. \$29)
- This graduated scale of payment to licensed farmers is designed to encourage greater productivity and prevent diversion to the black market, where opium can fetch prices as much as 25 times higher than the base government price of Rs. 630 per kilogram. The GOI has decided not to raise the procurement price for the crop year 2001.
- Licit opium diversion controls introduced in 1999 have been continued in 2000 to include re-surveys of plots after the planted crop reaches a particular stage of growth to ensure that the area under cultivation matches that licensed. Cultivation more than five percent above the licensed amount is destroyed, and the cultivator is liable to prosecution. Controls during the poppy lancing period at harvest have also been strengthened. To increase control over licit opium production, offenses relating to cultivation and embezzlement of opium by licensed cultivators continue on par with the other trafficking offenses. Convictions can result in ten to 20 years imprisonment and fines up to USD 6,000.
- The GOI has continued a systematic program to combat illicit opium cultivation, especially in the north of India, by combining remote sensing information with raids and the destruction of illicit crops as well as crop substitution programs. Indian authorities are also studying the feasibility of establishing a continuous aerial/satellite based system for monitoring of licit and illicit opium cultivation nationwide. Small-scale illicit cultivation of opium has existed for years in areas of India's northeast, usually along the region's border with Burma and China. Cultivation in easily accessible areas of Mizoram, Manipur, and Nagaland was successfully eliminated in the early and mid-90s, according to CBN officials. The bulk of India's illicit cultivation is now confined to Arunachal Pradesh, the most remote of northeastern states, with no airfields and few roads.
- The CBN began organized poppy eradication campaigns in Arunachal Pradesh four years ago. In the first campaign, the 1997 opium crop, CBN destroyed 35 hectares. This increased to 95 hectares in 1998, and 248 hectares in 1999. In 2000, 153 hectares were destroyed. In order to staff the force of 60 necessary for the annual eradication campaigns, the CBN office of ten is assisted by national customs officers from throughout the northeast. The Ministry of Finance has provided CBN with funds for fuel, camping gear and stipends for this force. According to veterans of past eradication efforts, most of the illicit opium is grown to meet consumption needs of local addicts, a sizeable population. CBN, however, is concerned that production is rising, with an increasing percentage for commercial purposes, for local sale or to heroin producers across the Burma border. Current rough estimates by the local drug control officials put opium cultivation in Arunachal Pradesh at 1,500 to 2,000 hectares. With funding from the UNDCP and the UN Development Program (UNDP), CBN will begin a two-month survey in November to get a more precise figure on production, before starting the annual eradication campaign. Estimates of opium gum yields are nonexistent, but CBN officials believe that the

illicit production in Arunachal Pradesh yields at least ten kilograms per hectare.

- INL has recently funded the purchase of portable mowing devices to assist CBN staff with the annual illicit opium eradication campaign in Arunachal Pradesh.
- India participates in the multilateral potassium permanganate tracking program, "Operation Purple," and India's Narcotics Commissioner is co-chairing the AA tracking program, "Operation Topaz," scheduled to begin March 1, 2001. The NCB reports that cooperation from industry in controlling the availability of precursor chemicals continues to be strong. A series of meetings by NCB with the industry in 1996 produced a voluntary code of conduct among firms that is aiding the enforcement effort. NCB says that seizures of shipments of illegal precursor chemicals remained low in 1999, apparently because of the reduced illegal supplies available. Prices of precursor chemicals have risen.
- Indian authorities continued to work closely with the drug enforcement agencies of other countries. In February 2000 cooperation between Indian authorities and the United Kingdom Customs Service led to the arrest in Mumbai of an alleged drug trafficker and the seizure of six kilograms of Indian produced heroin found in his possession and bound for the United Kingdom.
- To decrease the backlog of case, the GOI works with special state courts for narcotics matters, which are 50 percent funded by the federal government. Federal narcotics enforcement officials meet quarterly with their state government counterparts to share information and provide training, and federal efforts have spurred the formation of specialized narcotics units in state and metropolitan police agencies. The NCB, as the GOI's "nodal" agency for drug control efforts, has organized several nationwide or regional coordination meetings. In August, the NCB organized the first conference to discuss with state governments in the northeast coordination of drug control efforts in the region.
- In 1999, India hosted the 34th meeting of the UN Subcommittee on Illicit Drug Traffic in the Near and Middle East, which produced the "Lucknow Accord" on precursor chemical control. The NCB also worked with the UNDCP on studies on drug demand reduction and precursor chemical control in South Asia. To learn more about India's own drug problem, the Ministry of Social Justice and Empowerment and the UNDCP have embarked on a comprehensive survey of narcotics addiction nationwide. The first results of the survey, initially expected in early 2000, are still awaited. Under the "Scheme for Prohibition and Drug Abuse Prevention" begun in 1985, the GOI funds 90 percent of the costs of 340 NGOs in maintaining 425 drug treatment centers nationwide. The GOI is also working with the ILO and the UNDCP to implement community based rehabilitation and workplace prevention programs. Despite new initiatives, both the CBN and the NCB continue to face financial constraints in conducting a strong counternarcotics program.
- India also participates in bilateral efforts to counter narcotics trafficking. Under the auspices of the UN and with U.S. encouragement, meetings between counternarcotics officials of India and Pakistan which began in 1994 have continued. Periodic meetings also take place with Burmese officials along the border, most recently in November 2000, to exchange narcotics information and coordinate enforcement operations on either side of the Indo-Burma border. India and Sri Lanka have held "operational level talks" since 1997 and continue to do so to coordinate counternarcotics efforts. India also maintains close liaison with other South Asian countries through the South Asian Association for Regional Cooperation (SAARC) drug offenses monitoring desk in Colombo that facilitates collection of data on drug seizures in SAARC countries. India has entered into bilateral agreement with 13 countries for sharing of strategic and operational intelligence and holds regular meetings at various levels with drug enforcement organizations.

Law Enforcement Efforts. More focused GOI efforts are resulting in increased seizures and fewer arrests. In 2000 an estimated 1,089 kilograms heroin were seized, up 27 percent from 1999 (861 kilograms) and 66 percent over 1998 (655 kilograms). Opium seizures totaled 2,218 kilograms, up from 1,635 kilograms in 1999 and 2,031 kilograms in 1998, occurring mostly in the poppy growing areas. Hashish seizures totaled 3,258 kilograms (versus 3,391 in 1999) and morphine totaled 24 kilograms (versus 36 kilograms in 1999). Through November 2000, 2,129 persons were convicted for drug trafficking:

India Law Enforcement Statistics (1996-2000)



	2000	1999	1998	1997	1996
Prosecuted	8,190	10,841	11,079	13,203	12,198
Convicted	2,129	2,891	2,673	2,796	2,963
Acquitted	2,496	4,632	5,488	4,944	6,102

Determining the geographic origin of heroin seized in India is often not possible with current forensic capabilities. Nevertheless, the GOI was able to determine that at least 353 kilograms of heroin (32 percent) came from Afghanistan or Pakistan. The percentage of heroin locally produced within India appears to be growing and seems bound for the international market. Over 200 kilograms of heroin were seized either bound for Sri Lanka or seized in Sri Lanka and determined to have originated in India.

Corruption. Allegations of corruption among law enforcement personnel and elected politicians continue to be aired in the Indian media. The USG receives reports of narcotics related corruption, but lacks means to assess the overall scope of drug corruption in India. Both the CBN and the NCB have periodically taken steps to punish corrupt officials within their ranks. The CBN frequently transfers officials in key drug producing areas and has increased the transparency of paying licensed opium farmers to prevent corruption.

Agreements and Treaties. India is a party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances and the 1988 UN Drug Convention. India meets most of the requirements of the three UN drug conventions to which it is a party through the NDPS Act of 1988, though India has yet to meet the money laundering requirement of the 1988 UN Drug Convention. A new extradition treaty between the U.S. and India entered into force July 21, 1999, replacing reliance on the 1931 U.S.-UK Extradition Treaty.

Cultivation and Production. The 2000 crop was cultivated by 159,884 licensed farmers on 35,271 hectares in Rajasthan, Madhya Pradesh, and Uttar Pradesh. Licensed farmers are allowed to cultivate a maximum of 20 ares (one fifth of a hectare) of opium poppy. Upon completion of the harvest season in March/April, licensed farmers in Rajasthan and Madhya Pradesh were expected to remit to CBN (responsible for controlling and collecting India's licit opium gum production) at least 54 kilograms of opium gum per hectare of cultivation at a 70 percent solid consistency. Licensed farmers in Uttar Pradesh were each expected to submit 44 kilograms of opium gum per hectare. The GOI's Ministry of Finance each year announces these "minimum qualifying yields" at the beginning of the opium cultivation season in September or October, and they are based on historical yield levels from licensed farmers during previous crops.

India produces opium by traditional methods, extracting the opium gum by hand by lancing the capsules. India's licit opium gum is high in morphine content and has other alkaloids such as thebaine now favored by international narcotics raw materials importers. Other legal producers of opium alkaloids, such as Turkey, France and Australia, produce concentrate of poppy straw (CPS), harvesting unlanced poppy capsules and using a chemical extraction process.

India's traditional style of harvesting opium gum has an inherent weakness in controlling diversion. Each year over a million farmers and farm workers come into contact with the poppy plants and their lucrative gum. Closely policing these farmers operating on privately held land scattered throughout three of India's largest states is a considerable challenge for the CBN. The GOI recently explored the possibility of converting to the more sophisticated CPS harvesting method to curtail licit opium diversion but there are no current plans to make this expensive transformation.

Though no reliable estimate of diversion from India's licit opium industry exists, observers and drug enforcement officials have estimated diversion at ten to 30 percent of the crop. There was international concern that diversion in 1999 was at record levels but most observers believe that diversion was greatly curtailed in 2000. A ten percent rate of diversion would put some 130 tons of opium gum into the illicit narcotics market and make India the world's fourth (after Afghanistan, Burma, and Laos) largest producer of illegal opiates.

GOI heroin seizures data during 2000 may point to increased illegal production of heroin within India from opium gum diverted from the licit fields. Some heroin locally produced from diverted opium gum was bound for the international market, including the United Kingdom and Sri Lanka.

Drug Flow/Transit. India is a transit area for heroin from Afghanistan and Pakistan and from Southeast Asia (Burma, Thailand, and Laos). Seizures of heroin made in India from these two regions continue to provide evidence of India's transshipment role. Most heroin transiting India appears bound for Europe. Seizures of heroin made at New Delhi and Mumbai airports reinforce this assessment. There appears to be no significant level of heroin trafficking directly to the United States from India.

Demand Reduction. Reliable estimates of drug abuse in India are elusive. GOI and UN sources continue to cite a range of one to five million opium users and one million heroin addicts, though some NGO's working on drug abuse believe the true number of heroin addicts is much higher. Anecdotal reports from key drug abuse "hot spots" in northeast India and urban centers suggest that heroin abuse is increasing.

In 1999, the UNDCP and the Ministry of Social Justice announced plans to conduct a joint survey of drug abuse nationwide, but this survey is now expected in 2001. The UNDCP in 2000 embarked on two demand reduction projects in India. One targets northeastern India where drug abuse rates and drug related HIV/AIDS cases are the highest in India. A lack of international donor funding for these projects, however, has postponed their full implementation.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The GOI took a number of steps in 2000 to improve its antidrug policies and programs. The GOI added ephedrine, a methamphetamine precursor, to the list of controlled chemicals under its Narcotic Drugs and Psychotropic Substances (NDPS) Act and increased CBN resources to fight the diversion of licit opium and licitly produced chemicals. In December 2000, the GOI placed an amendment to the NDPS Act before parliament to grant judges greater flexibility in sentencing drug violations.

Bilateral Cooperation. The U.S. and India expanded drug control cooperation in 2000, with several new initiatives launched. Agreement was reached to conduct a U.S.-India joint survey of licit opium yields, which will begin during the 2001 opium crop season. INL commodities and training assistance to Indian drug enforcement agencies increased, with a \$200,000 project signed with the Ministry of Finance in September 2000. This package of assistance will boost the drug enforcement capacities of various Indian agencies, providing equipment to the 11 NCB units operating throughout India and to the Mizoram state government to counter drug and chemical trafficking across that state's border with Burma. Cooperation between the DEA and Indian drug enforcement authorities is expanding, particularly in investigations into precursor chemicals smuggled from India to key drug production areas.

The Road Ahead. The GOI has tightened controls over licit opium cultivation and looks to increased USG cooperation for combating drug trafficking and narcoterrorism. The Ministry of Finance, the GOI lead for policy on drug control, is more actively shaping and coordinating drug control strategies among India's various drug enforcement agencies and will continue to be the U.S.' focal point for cooperative antidrug efforts. The GOI is increasingly concerned over the nexus between drug trafficking and terrorism. The GOI has recognized the need for stronger drug control efforts nationally but in the northeast in particular. The U.S. will continue to explore opportunities to work with the GOI in addressing drug trafficking and production and other transnational crimes of common concern.

The Maldives

The Republic of Maldives consists of 1,100 islands in the Indian Ocean with a comparatively small, but growing, drug problem. The fact that children under 16 constitute 50 percent of the population makes police and UN officials wary of the high growth potential for drug abuse in the country. Police, however, think they can still control the sale of drugs on the streets of the capital, Male'. Police officials believe the country's 25,000 foreign workers, mainly Indians and Sri Lankans who work in the country's resorts, conduct most of the trafficking. The U.S. has received reports from informed observers who note that an epidemic of heroin abuse (in the form of brown sugar, a relatively unrefined version of heroin suitable for smoking, not injection) by Maldivian youth may be under way in the Maldives.

Officials fear that the Maldives might become a transshipment point for drug smugglers. Most drugs come into and through the country by ship, but the customs service and police find it impossible to

search all ships adequately. The government has discussed using drug sniffing dogs to help search vessels, but strong cultural resistance to dogs and opposition in part over questions of cost effectiveness, prevent the project's implementation.

The Government of the Republic of the Maldives (GORM), assisted by \$25,000 in USG funding, began to computerize its immigration record-keeping system in 1993 in an attempt, among other things, to track the movements of suspected drug traffickers. The U.S. provided another \$33,000 between 1996 and 1998 to the GORM to expand this computer system with additional computers and microwave networking technology.

In November 1997 the GORM established a Narcotics Control Board (NCB) under the Executive Office of the President. The Board's first commissioner, a lieutenant colonel, has concurrent duties as Deputy Commissioner of the Maldivian National Security Service.

The NCB coordinates drug interdiction activities, oversees rehabilitation of addicts, and coordinates actions of NGOs and individuals engaged in counternarcotics activities. In 1997 the GORM also established the country's first drug rehabilitation center with space for several dozen clients. The government launched a national antidrug program in 1998 and sent teams to increase drug awareness and assist with drug detection to 11 of the 19 atolls. The Italian government donated funds in 1998 for drug rehabilitation training.

The Republic of the Maldives has no extradition treaty with the United States. In 1994, however, the Maldives cooperated with the U.S. in rendering a Nigerian national to the U.S. to face narcotics trafficking charges. The GORM has signed the 1988 UN Drug Convention, although the country's legislature has not ratified the Convention. The South Asian Association for Regional Cooperation (SAARC) Convention on Narcotic Drugs came into force in the Maldives in 1993. The Drug Action Program of the Colombo Plan has conducted training for Maldives prison authorities and other interested officials in controlling abuse of narcotics among prison inmates. No evidence exists of narcotics-related corruption in the Maldives.

In 1998, the UNDCP donated computers to the NCB to assist efforts to control precursor chemicals. Although some in the Maldives hope to establish the country as an offshore financial center, its antiquated banking laws and regulations and currency controls present challenges. No laws specifically address money laundering or seizure of assets.

Nepal

I. Summary

Nepal is neither a significant producer of nor a major transit route for narcotic drugs. Although customs and border controls remain weak, international cooperation has resulted in increased narcotics-related indictments in Nepal and abroad. Nepal's Narcotics Drug Control Law Enforcement Unit (NDCLEU) has enhanced both the country's enforcement capacity and expertise. Nepal has drafted bills on money-laundering and mutual legal assistance, but they have not yet been enacted as law. Nepal is a party to the 1988 UN Drug Convention.

II. Status of Country

Heroin from Southwest and Southeast Asia is smuggled into Nepal across the open border with India and through Kathmandu's international airport. Local use of refined "brown" no. 3 heroin is rising. Reportedly, considerable cannabis is produced in Nepal for the India market. Abuse of locally grown and wild cannabis and hashish, marketed in freelance operations, is widespread. There is also domestic abuse of licit, codeine-based medicines. Nepal is not a significant money laundering country. It is not a producer of chemical precursors.

III. Country Actions Against Drugs In 2000

Policy Initiatives. Nepal's basic drug law is the Narcotic Drugs (Control) Act, 2033 (1976). Under this law, the cultivation, production, preparation, manufacture, export, import, purchase, possession, sale or consumption of most commonly abused drugs is illegal. The Narcotics Control Act, amended last in 1993, conforms in part to the Single Convention and the 1972 Protocol by addressing narcotics production, manufacture, sales, import, and export. Nepal has developed, in association with the United Nations International Drug Control Program (UNDCP) a master plan for drug abuse control. Nepal did not receive any UNDCP funding for the program in 2000.

Legislative action on money-laundering, mutual legal assistance, and witness protection remained stalled in 2000. The government has not submitted scheduled amendments to its customs act to control precursor chemicals. Legislation on asset seizures or criminal conspiracy has not yet been drafted.

Accomplishments. The Government of Nepal (GON) is active in regional coordination of antinarcotics efforts and actively cooperated in international efforts to identify and arrest traffickers. Cooperation between the U.S. Drug Enforcement Administration (DEA) and Nepal's NDCLEU, has been excellent and has resulted in indictments both in Nepal and abroad. Nepal actively participates in the efforts of the South Asia Association for Regional Cooperation (SAARC) for regional coordination to combat drug trafficking and abuse.

Customs and border control are weak along Nepal's land borders with India and China. The Indian border is open. Narcotics and other contraband security at Nepal's regional airports with direct flights to India and Kathmandu's Tribhuvan international airport remain inadequate. The GON along with other governments is working to increase the level of security at the international airport. In 2000, the U.S. Immigration and Naturalization Service provided fraudulent document training to Nepal's immigration service. U.S. Customs provided training to Nepali customs and police and held discussions to expand customs and immigration training to land border areas.

Law Enforcement Efforts. Final statistical data for 1999 and data for the first three quarters of 2000 indicate that destruction of cannabis in cultivation decreased in 2000 while seizures of cannabis increased. 2000 media reports indicate that cannabis production is up significantly and mostly bound for India. Arrests and seizures of heroin and opium are not significantly different from patterns of previous years. Most Nepali seizures of heroin, hashish, and opium occur at the Tribhuvan international airport in Kathmandu.

The NDCLEU has developed an intelligence wing, but its effectiveness is constrained by a lack of transport, communications and surveillance equipment. Coordination and cooperation between NDCLEU and Nepal's customs and immigration services, while still problematic, is improving. U.S. Customs held a narcotics interdiction course in Kathmandu with NDCLEU, police, customs, and immigration in March and a course in regional integrity reinforcement in April. These courses served to bridge communications issues between Nepal's enforcement services. Enforcement personnel also participated in a DEA basic drug enforcement school held in Sri Lanka in August.

Corruption. Laws required by the 1988 UN Drug Convention to prevent and punish public corruption in narcotics issues, especially by senior government officials, are lacking. However, there is no record that senior government officials have facilitated the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances or discouraged or otherwise hampered the investigation or prosecution of such acts.

Agreements and Treaties. Nepal is party to the 1993 SAARC Convention on Narcotics Drugs and Psychotropic Substances. Nepal is a party to the 1998 UN Drug Convention.

Cultivation/Production. Cannabis is an indigenous plant in Nepal and cultivation of developed varieties is rising, particularly in lowland areas. A recent Nepali newspaper report claimed that Indian entities have contributed to expanding cannabis cultivation by supplying seed and agricultural know-how, financing operations, buying, and exporting the product to India. There may be some small-scale cultivation of opium poppy, but detection is difficult since it is interspersed among licit crops. Nepali drug enforcement officials believe that all heroin seized in Nepal originates elsewhere.

Chemical Controls. Nepal produces no precursor chemicals and has no laws governing precursor chemicals. Authorities do not consider chemical controls a priority issue in Nepal at this time.

Drug Flow/Transit. Narcotics seizures suggest that narcotics transit Nepal both from the east and west in equal proportions. Arrests of Nepalese couriers in other countries suggest that Nepalese are becoming more involved in trafficking and that Nepal may be increasingly used as a transit point for destinations in South and East Asia. There is no data clearly indicating that the U.S. is a final destination for drugs transiting Nepal. The GON is attempting to track changes in trafficking patterns.

Domestic Programs. The GON continues to implement its national drug demand reduction strategy in association with the Sri Lanka-based Colombo Plan, the U.S., UNDCP, donor agencies, and NGOs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. policy is to strengthen Nepal's law enforcement capacity to combat narcotics

trafficking and related crimes, to maintain positive bilateral cooperation, and to encourage Nepal to enact and implement appropriate laws and regulations to meet all objectives of the 1988 UN Drug Convention. The U.S., NDCLEU, and other donor nations work together through regional drug liaison offices and through the Kathmandu Mini-Dublin Group.

Bilateral Cooperation. The U.S. works with GON agencies to implement Nepal's master plan for drug abuse control and to provide expertise and training in enforcement and policy. In 2000 the USG held a narcotics interdiction course and a regional integrity reinforcement course, each taught by U.S. Customs in Kathmandu, and hosted NDCLEU officers at a regional drug enforcement school in Sri Lanka taught by DEA. Nepal exchanges trafficking information in connection with international narcotics investigations and proceedings.

The Road Ahead. The U.S. will continue ongoing information exchanges, training, and enforcement cooperation, work with the UNDCP to enhance the NDCLEU, support the Colombo Plan's rehabilitation programs in Nepal and work with the Ministry of Home Affairs on demand reduction. The U.S. will encourage the GON to advance stalled drug legislation.

Pakistan

I. Summary

Pakistan is an important transit country for Afghan opiates and cannabis. In 2000, Pakistan became a minor producer of opium, with poppy cultivation dropping below 1,000 hectares to 515 hectares, a 67 percent decrease from 1999. Government of Pakistan (GOP) cooperation on drug control with the U.S. is excellent. Intensive law enforcement efforts, led by the Anti Narcotics Force (ANF), have forced narcotics traffickers to adopt a lower profile. Interdictions of heroin increased 85 percent and several major traffickers were arrested. The Government of Pakistan has prevented the re-emergence of large heroin/morphine processing laboratories. However, there was little progress in 2000 on pending extradition cases of narcotics fugitives. There was little new progress in extending the Control of Narcotic Substances Act (CNSA) and the Anti Narcotics Force Act (ANFA) into new tribal areas in North West Frontier Province (NWFP). The military government that seized power in October 1999 has maintained the commitments of the previous civilian government on counternarcotics, including implementation of the 1999 Drug Control Master Plan. Pakistan is a party to the 1988 UN Drug Convention.

II. Status of Country

U.S. figures for 2000 show that Pakistan almost achieved its ambitious goal of eliminating opium production by the year 2000. The opium poppy crop fell to a record low of 515 hectares. While Pakistani opium production has plummeted, neighboring Afghanistan has become the world's largest opium producer by increasing opium production some 28 percent in 2000 to 3,656 metric tons (MT). The tripling of poppy cultivation in Afghanistan since 1993 and growth in sophistication of the Afghan drug trade are putting enormous pressure on GOP border control efforts and Pakistani society. Successful interdiction operations occur, but traffickers have superior firepower and faster vehicles, the territory is enormous, and law enforcement is widely dispersed, with little rapid mobilization airlift capability. This means more drugs transiting Pakistan, a growing addiction problem, and more cash available for bribery and official corruption. Pakistan remains an important transit country for the precursor chemical acetic anhydride (AA) destined for Afghanistan's heroin laboratories. While chemical controls appear adequate, some diversion from licit imports has taken place.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Closing in on its goal of a poppy-free Pakistan by the end of year 2000, the GOP plans to consolidate its success in replacing the illicit poppy crop by building more roads to improve access and giving drug cultivators viable economic alternatives within poppy growing areas. The U.S.-funded crop control program, an element in the GOP Drug Control Master Plan, will continue for another three years through 2004. To further the Plan's enhanced law enforcement objectives, the Minister of Interior organized in September 2000 a conference to promote coordination among law enforcement agencies. The Drug Control Master Plan also calls for the government to review policies to bring about a drug-free Pakistan, but a lack of resources hampers implementation of these policies.

The GOP also initiated during 2000 new policies on the prosecution of narcotics offenses and organized crime. Five new special narcotics courts were approved but will not be operational without further funding. The GOP issued a National Accountability Bureau (NAB) ordinance establishing a

framework for detecting and recovering the proceeds of serious crimes. In December the cabinet approved Pakistan's signing of the UN Convention Against Transnational Organized Crime.

Accomplishments. The most important accomplishment in 2000 was the steep drop in opium poppy cultivation in Pakistan. GOP officials continue to take measures to prevent the re-emergence of heroin or morphine base laboratories. In December, a raid in the Khyber Agency at the Afghan border netted some addicts and small-time operators involved in manufacturing heroin and other drug related materials. The ANF monitored the purported destruction of two small heroin laboratories in Helmand province of Afghanistan across the border.

The ANF launched an important regional maritime interdiction initiative in 2000. The Narcotics Affairs Section at the U.S. Embassy Islamabad has worked closely with the ANF to enlist the participation of all relevant Pakistani law enforcement agencies and law enforcement from Oman and the UAE. All major law enforcement agencies participated in a planning conference held at Karachi from June 5-7, 2000. Follow-on training provided by the U.S. and the visits of experts from both sides have further cemented interagency cooperation.

Law Enforcement Efforts. The ANF is Pakistan's principal narcotics law enforcement agency. Throughout 2000 the ANF was understaffed, operating with 1,594 out of an authorized personnel strength of 1,932. However, the GOP has authorized recruitment of an additional 225 personnel to shore up ANF operational capability. Army and police personnel assigned to the ANF for a three-year tour of duty need performance incentives and specialized training. Specialized training and the formation of a Special Investigative Cell (SIC) or "Vetted Unit," targeting major trafficking organizations, have boosted morale. Veterans of the program underwent a rigorous five-week technical training course in the U.S. in October-November, 2000. This program will be expanded in 2001.

Pakistan's illicit drug seizures were up significantly compared to the same period in 1999. These figures show 7.4 metric tons of heroin, 7.8 metric tons of opium and 108.1 metric tons of hashish seized during the first ten months of 2000 (compared to 4.0 metric tons of heroin, 12.9 metric tons of opium and 70.0 metric tons of hashish seized in 1999). Seizures of AA consisted of small consignments originating in India. ANF seizures of heroin and cannabis set records in 2000. ANF Baluchistan, covering major trafficking routes from Afghanistan, brought in record hauls. Apart from ANF, other law enforcement agencies tallying significant drug seizures were the Police, Pakistan Customs, Coast Guard (CG) and the Frontier Corps. The U.S. urged better interagency coordination and record CG seizures of 15 metric tons of hashish and improved heroin/opium seizures were in part attributable to this U.S. initiative. Customs seizures also showed a 20 percent increase for the first ten months of 2000 compared with the same period last year. Both the Frontier Corps Baluchistan and Customs improved their drug seizure records compared to the previous year. Customs offices at Pakistan's international airports have been increasingly effective in interdicting heroin couriers of all nationalities belonging to foreign trafficking organizations, many with a Nigeria connection, mostly traveling to the Middle East, Bangladesh, and Thailand.

For 2000, total frozen drug traffickers' assets stood at Rupees (Rs.) 4337.6 million (U.S. \$80 million) and \$5 million in travelers' checks. A Pakistani court ruled in favor of forfeiture of assets to the government for the first time in 1998. In that precedent setting case, assets worth approximately \$434,783 were forfeited based on the trafficker's conviction in the U.S. on a narcotics offense. A petition requesting a stay of the order of the court is still pending in the Supreme Court. Forfeited property belonging to convicted drug traffickers so far is worth Rs. 465 million (U.S. \$8.6 million).

The trial of Sakhi Dost Jan Notezai, a prominent drug trafficker and suspected member of the Quetta Alliance trafficking syndicate, concluded this year, after seven years of proceedings. He received a sentence of life in prison and forfeited his assets. The case of another alleged drug trafficker, Munawar Hussain Manj, a former member of Pakistan's National Assembly is still pending in the superior court, after five years of proceedings. The case of Rahmat Shah Afridi, owner of an English language daily and an influential politician from N.W.F.P. arrested in early 1999, also is pending. These three cases represent a significant test of the ANF's ability to prosecute politically powerful traffickers.

The prosecutions of most criminal and narcotics cases in Pakistan are protracted. Corruption and low salaries threaten the integrity of law enforcement and judicial institutions throughout Pakistan. Judges grant continuances; defendants file delaying interlocutory appeals; witnesses are reluctant to testify; and bribery can influence case outcomes. To expedite cases through the court system, the ANF still needs to strengthen its law directorate. A step in the right direction has been the establishment of five special narcotics courts in 2000, although they are not yet fully operational and lack realistic operating budgets. The ultimate effectiveness of these new courts is in question and they would best serve Pakistan by targeting major offenders and trafficking organizations.

Corruption. We have no evidence that the GOP and its senior officials encourage or facilitate the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. To check official corruption more effectively, the President of Pakistan promulgated the National Accountability Bureau (amendment) ordinance 1999. Among the politicians and civil servants convicted in corruption cases were an Air Vice Marshal (ret'd) and his three brothers who received sentences of seven years rigorous imprisonment and Rs. 2 million fine for willful bank loan default—the first time that the GOP has successfully convicted such a high ranking military officer.

Agreements and Treaties. Pakistan does not have specific agreements with the U.S. for mutual legal assistance, precursor chemicals or money laundering. However, it does have a general counternarcotics agreement with the U.S., which provides for cooperation in the areas of opium poppy eradication, narcotics law enforcement and drug demand reduction. Extraditions are carried out under a 1931 U.S.-UK treaty, affirmed to be valid by the GOP. Several pending U.S. extradition requests are waiting court action. (No new requests were made in 2000.) One subject awaiting extradition died of natural causes in prison.

Pakistan is a party to the 1988 UN Drug Convention and has signed bilateral narcotics agreements with Iran, the United Arab Emirates, Kyrgyzstan, Uzbekistan, China and India. Pakistan also is a party to the World Customs Organization's International Convention for the Prevention, Investigation and Repression of Customs Offenses (Nairobi Convention), Annex-X on Assistance in Narcotics Cases.

The governments of Pakistan and Iran and UNDCP signed a Memorandum of Understanding (MOU) on narcotics cooperation in May 1994. Under the MOU, the UNDCP has implemented a law enforcement project with both governments, designed to encourage cooperation on interdiction, as well as improve narcotics law enforcement. Under an extended 1994 MOU, Pakistani and Iranian counternarcotics officials exchange information on narcotics trafficking and cooperate on cross border narcotics trafficking interdictions. Since 1994, counternarcotics officials of both India and Pakistan have regularly held meetings to discuss operational cooperation and cross border flows of precursor chemicals that flow across the border.

Cultivation/Production. Five hundred fifteen (515) hectares (ha) of opium poppy were cultivated in Pakistan's North West Frontier Province (NWFP) in 2000, compared to 1,570 ha in 1999, most of it in the Bara River Valley of Khyber Agency, on the border of Afghanistan's Nangarhar province. Completely eliminating cultivation in Khyber will be difficult since there are no roads into the area for an effective eradication campaign. However, U.S. and GOP officials are exploring the possibility of a project into the area based on successful eradication approaches used elsewhere in the NWFP. The USG estimated potential opium production for 2000 at 11 metric tons, compared to 37 metric tons in 1999.

UNDCP provides alternative development assistance in Dir District of NWFP, with the United Kingdom and U.S. the principal donors for the Dir project. The U.S. directly funds alternative development projects in Mohmand and Bajaur agencies and contributes to poppy enforcement operations in those agencies and Dir district. The U.S. and UNDCP crop control consolidation projects seek sustainable results.

Both Afghan-origin cannabis and opiates transit through Pakistan. Afghanistan produced an estimated 3,656 metric tons of opium in 2000. Afghan opiates trafficked to Europe and North America enter Pakistan's Baluchistan and NWFP provinces and exit either through Iran or Pakistan's Makran Coast, or through international airports located in Pakistan's major cities. Traffickers also transit land routes from Baluchistan to Iran and from the tribal agencies of NWFP to Chitral, where they re-enter Afghanistan at Badakhshan province for transit through Central Asia.

Drug production increases in Afghanistan are primarily responsible for more trafficking of opiates through Pakistan. Intensive counternarcotics efforts by the Government of Iran have forced traffickers to find alternative routes, increasing the pressure on Pakistan and the Central Asian countries. In addition, the GOP estimates its addict population could consume as much as 126 metric tons of opium a year. Decreasing production of opium in Pakistan means that Pakistan is a major customer of Afghan opium, although the majority of the heroin smuggled out of Southwest Asia through Pakistan continues to go to the European market, including Russia and Eastern Europe. The balance goes to the Western Hemisphere and to Southeast Asia where it appears to supplement opium production shortfalls in that region. Couriers intercepted in Pakistan this year were en route to Africa, Nepal, Europe, Thailand and the Middle East.

Domestic Programs. The GOP estimates a drug abuse population of between three and four million

(of whom half are heroin addicts), growing at the rate of seven percent a year. No reliable survey has been conducted since 1993 to verify these figures. Although the GOP attached great importance to attacking its drug abuse problem in 2000, the GOP allocated little funding to expand the country's woefully inadequate drug treatment facilities and to raise awareness of the issue. Demand reduction educational efforts during 2000 included a radio awareness program organized by the ANF, a sports tournament and a painting competition, and ANF distribution of posters and stickers. More significantly, the ANF and Pakistan PTV, supported by USG funds, completed a 13-episode TV serial to raise awareness about narcotics problems. The GOP's five-year Drug Abuse Control Master Plan calls for expenditure of \$21.4 million on demand reduction with \$12.5 million for prevention.

IV. U.S. Policy Initiatives and Programs

U.S. counternarcotics policy objectives for 2001 are to encourage the GOP to eliminate remaining pockets of opium poppy cultivation; to increase interdiction of opiates from Afghanistan; to dismantle major trafficking organizations; to enhance cooperation regarding the extradition of narcotics fugitives to the U.S.; and to encourage GOP efforts against white collar crime such as money laundering.

Bilateral Cooperation. The U.S. provided \$4.015 million in narcotics control assistance to Pakistan in 2000. This amount included \$750,000 from DEA for the Special Investigative Cell (SIC) within the ANF. In addition to narcotics law enforcement, the U.S. continues to fund crop control projects in Mohmand and Bajaur and public awareness projects in support of Pakistan's demand reduction efforts.

The ANF continues to cooperate effectively with DEA to raise investigative standards. The creation of the SIC, trained and equipped by the U.S., has been a milestone in improving GOP counternarcotics efforts. The SIC targets major drug trafficking organizations and first year results have been encouraging. With this success, plans are underway to expand SIC operations.

Strengthening inter-agency cooperation remains a priority, particularly in Baluchistan and the NWFP. U.S.-funded crop control projects in NWFP's Mohmand and Bajaur agencies contributed to the near elimination of poppy cultivation in 2000. In Mohmand, cultivation declined from 200 ha in 1999 to 10 ha in 2000; in Bajaur, from 70 ha to 45 ha.

Pakistan also received counternarcotics assistance from other sources in 2000. Principal among these were UNDCP and the United Kingdom. A \$5.2 million UNDCP funded three-year narcotics law enforcement program started in 1999 is now progressing well with donors' support, complementing U.S. bilateral assistance. UNDCP also supports an enforcement project furthering counternarcotics cooperation between Iran and Pakistan, is upgrading three forensic laboratories to test narcotics, and supports the GOP's efforts at enforcing narcotics laws within tribal areas of Pakistan. The UNDCP conducted a survey of Pakistan's addict population to determine baseline information on drug abuse.

The Road Ahead. The U.S. will work closely with the GOP to target major heroin trafficking organizations and increase seizures of large shipments of opiates, particularly those transiting through coastal areas of Baluchistan and precursor chemicals. The SIC will play an important role in this strategy. The U.S. will urge the GOP to fully implement UN Security Council Resolution 1333, which requires all states to prevent the sale, supply, or transfer of acetic anhydride to any person in the territory of Afghanistan under Taliban control. The USG will encourage GOP efforts to consolidate the gains made in the crop control program and to sustain the enforcement of law within poppy growing areas in the Mohmand and Bajaur agencies. The U.S. will work with the GOP to expedite extradition requests and to strengthen Pakistan's ability to attack money laundering. The U.S. will continue efforts to enhance maritime enforcement with the Maritime Security Agency, Coast Guard, Customs, ANF, and countries in the region affected by narcotics trafficking from Afghanistan.

Pakistan Statistics

(1992-2000)

	2000	1999(1)	1998	1997	1996	1995	1994	1993	1992
Opium									
Potential Harvest	515	1,570	3,030	4,100	3,400	6,950	7,270	6,280	8,170

(ha)									
Eradication (ha)	1,704	1,197	2,194	654	867	0	463	856	977
Cultivation (ha)	2,219	2,767	5,224	4,754	4,267	6,950	7,733	7,136	9,147
Potential Yield (mt)	11	37	65	85	75	155	160	140	175
Seizures									
Opium (mt)	7.84	16.32	5.02	8.54	8.08	215.52	14.36	4.40	3.4
Heroin (mt)	7.41	4.98	3.33	5.07	4.05	18.04	6.20	3.9	2.9
Hashish/Marijuana (mt)	108.16	81.46	65.33	108.50	201.55	543.58	178.29	189.00	188.12
Labs Destroyed	0	2	0	4	10	15	18	13	11
Acetic Anhydride (ltr)	43	422	10,000	5,383					
Arrests	35,969	45,175	37,745	50,565	51,119	59,081	48,296	39,763	45,984
Users (thousands)									
Opium/Heroin						196	1,080	1,080	1,080
Opium (since 1995)	126	118	110	103	96				
Heroin (since 1995)	2,280	2,131	1,992	1,862	1,740				
Cannabis	1,307	1,222	1,142	1,068	998	1,745	1,000	1,000	1,000
Other Drugs	506	473	442	413	386	485	50	50	50

(1) Figures 1999 have been corrected to reflect full year.

Sri Lanka

I. Summary

Sri Lanka continued its nation-wide demand reduction campaign in 2000. Efforts at public education on drug abuse also continued in 2000, with the support of the U.S. Embassy. The country remained a strong regional player in counternarcotics cooperation. The Government of Sri Lanka continued to

make available a U.S. Government-funded database on narcotics arrests and related data to other countries in the South Asian Association for Regional Cooperation (SAARC). Implementation of the Counternarcotics Master Plan, begun in 1994, also continued. Cannabis eradication and seizures decreased from 1999, and the number of drug-related arrests decreased slightly, although heroin and opium seizures exceeded 1999 rates due mainly to a record 38-kilogram heroin catch in June. In 2000, Sri Lanka, a party to the 1988 UN Drug Convention, again failed to consider enabling legislation for its implementation. The GOSL has drafted legislation to update existing antinarcotics statutes, but did not submit legislation on the control of precursor chemicals to parliament.

II. Status of Country

Sri Lanka has a comparatively modest drug problem, but a number of recent heroin seizures in India bound for Sri Lanka and in the Gulf of Mannar between India and Sri Lanka confirm the existence of a heroin trafficking pipeline in the area. A slight but steady increase in narcotics consumption—particularly heroin—continued in 2000. The Ministry of Defense (MOD), under whose jurisdiction the police serve, has overall responsibility for counternarcotics and demand reduction activities, but the conflict with the Liberation Tigers of Tamil Eelam (LTTE) separatists drains the Ministry's resources, leaving it limited personnel, time and funding to address the drug problem. The conflict absorbs the attention of Sri Lanka's naval forces and prevents the adequate patrol of Sri Lanka's 1,100-miles of coastline. The island's popularity as a transshipment point for narcotics from South Asia has consequently grown, but there is no evidence that these drugs reach the U.S. in any significant quantity. Police officials in the southern Indian state of Tamil Nadu continue to report drug smuggling activities among Sri Lankan Tamil refugees living there and express concern that much of the drug trafficking in southern India in 2000 was destined for Sri Lanka. Some believe the LTTE helps finance its insurgency through drug trafficking, although neither the U.S. Government nor the Police Narcotics Bureau (PNB) has firm evidence to support this suspicion.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Government of Sri Lanka (GOSL) continued to implement a counternarcotics master plan developed in 1994 in consultation with the UNDCP. At the end of the year, the GOSL was still reviewing a comprehensive counternarcotics legislative package drafted with expert help from the UN by the National Dangerous Drugs Control Board (NDDCB), the government agency responsible for coordinating national drug policies. The package focuses on three counternarcotics issues: 1) reforming the Poisons, Opium and Dangerous Drugs ordinance to include a ban on precursor chemicals and on narcotics-related money laundering; 2) enacting legislation to implement the 1988 UN Convention and the 1990 SAARC Convention on Narcotic Drugs and Psychotropic Substances, including provisions for extradition and mutual legal assistance; and 3) initiating legislation for the treatment and rehabilitation of drug addicts. The draft legislation is two years old.

Illicit Cultivation and Production of Illicit Narcotic Substances. Cannabis is the only illicit narcotic cultivated and produced in Sri Lanka. Cannabis grown in Sri Lanka has no significant effect on the U.S. Most cannabis cultivation occurs in heavy jungle in the southeastern part of the island, near areas of conflict. Due to staffing limitations brought on by the conflict and the location of the fields, the police located and destroyed only one large field of cannabis in 2000, a four-acre plot containing nearly 13,000 kilograms, in January, and a total of 15 acres nationally. Police continue to rely primarily on informants to find cannabis cultivation.

Regional Cooperation. Sri Lanka is active in regional antinarcotics cooperation. A computer program developed by the PNB and funded by the U.S. Government hosts a regional database of narcotics arrests, monitoring and other information. Law enforcement agencies throughout SAARC have access to the database, although local officials claim many countries in the region did not contribute enough information to the database in 2000 for the program to be useful. The NDDCB takes the lead in drafting legislation and encouraging regional cooperation on precursor control and in 2000 drafted a voluntary code of conduct for legal precursor chemical importers. The NDDCB hopes the private sector will adopt the code formally in 2001.

During 2000, the Drug Advisory Program (DAP) of the Colombo Plan (an international organization headquartered in Sri Lanka) conducted successful narcotics training programs in the region, partially funded by the U.S. In September, the DAP used USG funds to convene the Third Global Conference on Drug Abuse Primary Prevention in Italy. More than 100 participants from 20 countries attended.

Domestic Programs/Demand Reduction. The NDDCB carried out an island-wide outreach campaign in 2000 and conducted individual counseling sessions with 25,000 drug abusers in urban areas. Based on this project, NDDCB sources estimate the total number of addicts at 40,000 to

50,000. In 1992, the government estimated the number of heroin addicts at 50,000, although a world health organization-funded survey in 1998 estimated there were only 22,500 addicts.

The NDDCB has continued an aggressive, nation-wide drug education campaign that features a weekly national radio program. The NDDCB also has held seminars for judicial officers, training courses for police officers, hundreds of drug awareness seminars for students, teachers and parents, and training programs on drug abuse prevention. The NDDCB has established youth camps for youth leaders and treatment programs at residential treatment centers. A family-based prevention/treatment program begun in 1994 continued to function in 2000. In addition, the number of people utilizing rehabilitation centers has increased. The Colombo Plan supported several local organizations training volunteer drug counselors. An officer from the U.S. Embassy spoke at an awards ceremony for one of these programs in 2000.

Law Enforcement Efforts. The PNB, the Customs Service, and the Department of Excise share responsibility for countering cannabis production. Total seizures of cannabis decreased in 2000—20.3 metric tons (MT) through November, compared to full-year figures of 80.0 metric tons in 1999 and 24.7 metric tons in 1998. The PNB reported arrests of 12,598 people on drug-related charges through November 2000. This compared to full-year figures of 15,875 arrested in 1999 and 13,867 arrested in 1998. The PNB hired 20 new officers in August 1999 to expand efforts to combat a modest increase in narcotics abuse and trafficking. Through November 2000, most of those arrested for narcotics-related offenses had their cases referred to the Attorney General's Office for prosecution.

Corruption. There was no evidence public officials engaged in narcotics trafficking in 2000, although there were allegations that police officers in the provinces accepted bribes in return for ignoring drug trafficking. In 1994, the GOSL set up a permanent commission to investigate charges of bribery and corruption against public officials, although the commission effectively stopped functioning in 1998 due to political in-fighting. No narcotics-related corruption cases have emerged from the commission.

Agreements and Treaties. Sri Lanka has signed the 1988 UN Drug Convention and the 1990 SAARC Convention on Narcotic Drugs and Psychotropic Substances. Enabling legislation for both conventions, drafted in 1997, has still not been presented to parliament. The draft legislation includes specific provisions for extradition for narcotics-related offenses. Sri Lanka and the U.S. signed a new general extradition treaty in 1999, which entered into force in January 2001. Sri Lanka has also signed the World Customs Organization (WCO) International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offenses, which is known as the Nairobi Convention. Sri Lanka signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Drug Flow/Transit. Heroin is the only known narcotic to transit Sri Lanka in significant quantities. In 2000, the PNB detected and seized several heroin shipments from India at Katunayake International airport and in June made a record catch of 38 kilograms of heroin after intercepting a small vessel crossing from southern India to the coastal city of Chilaw. The PNB says this case illustrates the coast's vulnerability to transshipments of heroin from India. Sri Lanka has no Coast Guard and the Navy is preoccupied with LITTE military operations.

Large hauls by Indian and Sri Lanka authorities of heroin and opium shipments bound for Sri Lanka are evidence of yet another narcotics pipeline in South Asia. In June 2000 counternarcotics officials in Tamil Nadu arrested four Indian nationals transporting 20 kilograms of high-purity heroin bound for Sri Lanka, presumably for transshipment. In October and November 1999 the Indian Narcotics Control Bureau (NCB) arrested Sri Lankans operating heroin trafficking operations in India and seized 100 kilograms of heroin marked for shipment to the island. NCB officials believe much of the heroin seized in southern India each year (amounting to hundreds of kilograms) is bound for Sri Lanka, an important transshipment hub between the Middle East and East Asia. The island's relatively small number of heroin users suggests a transshipment role for Sri Lanka. There are no data, however, indicating this heroin reaches the U.S.

IV. U.S. Policy Initiatives and Programs

The U.S. Government works with Sri Lankan counternarcotics organizations in support of their efforts to promote awareness of the dangers of narcotics among the general population. In addition to providing occasional material and financial support, the U.S. Embassy in Sri Lanka has participated actively in community awareness seminars. The U.S. Government hopes to advance self-sufficiency and cooperation among law enforcement and other government officials working on narcotics issues in Sri Lanka and the region. The U.S. has supported regional efforts by providing over \$700,000 to the Colombo Plan's Drug Advisory Program from 1998 through 2000.

Bilateral Cooperation. In previous years, the U.S. has assisted several Sri Lankan organizations in their counternarcotics efforts. In 1998, the USG provided about \$ 7,000 to the NDDCB, the Federation of Nongovernmental Organizations Against Drug Abuse (FONGOADA) and the Sri Lanka Anti-Narcotics Association (SLANA) for equipment purchases. Sri Lankan police and customs officials also have benefited from equipment and training funded by the Netherlands, United Kingdom, and German governments.

In 2000 U.S.-funded training assistance to Sri Lanka law enforcement increased significantly. In August, more than 30 participants from narcotics enforcement agencies in four countries attended a DEA antinarcotics investigative techniques course in Colombo funded by the USG

The USG-funded regional narcotics crime database on drug arrests, investigations, and other information is available to all SAARC law enforcement agencies. Not all SAARC countries are updating the system with country specific data, hampering its effectiveness as a regional tool. NDDCB officials conducted their outreach, preventive education and training programs effectively in 2000 with the help of audio-visual equipment provided by the USG in previous years. Embassy participation in drug prevention seminars has generated publicity for those events, including newspaper coverage.

The Road Ahead. U.S. Government officials will continue to work with Sri Lankan counternarcotics organizations whenever possible, particularly by speaking at or otherwise participating in seminars addressing the drug problem.

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Europe and Central Asia

Albania

I. Summary

Drug trafficking remains a significant issue for Albania. Organized crime uses Albania as a transit point for drug smuggling due to its strategic location, weak police and judicial systems, and lax border controls. The most common illegal drugs are heroin, cocaine and marijuana. Heroin is typically routed through the "Balkans Route" of Turkey-Bulgaria-Macedonia-Albania, and on to Italy and Greece. Although Albania is not a major transit country for drugs coming into the United States, it remains a country of concern to the U.S. Drug abuse is a growing problem, but remains on a small scale compared with Western Europe. Statistics continue to be unreliable on drug trafficking or use, and the public is generally unaware of the problems associated with drugs.

The Government of Albania (GOA), largely in response to international pressure and assistance, has been confronting criminal elements more aggressively. This continues to be an uphill battle because of lack of resources and corruption in Albania. The government established an antidrug unit in 1998 under the Ministry of Public Order and, in 1999, drafted legislation calling for national coordination to combat drugs and improve investigations of drug-related crimes. Albania is not a party to the UN Drug Convention.

II. Status of Country

The government is continuing its efforts to build security and stability throughout Albania. Police professionalism has increased, especially among units that defend public order. The judiciary is engaged in improving the legal system with technical assistance from the U.S. Department of State and U.S. Justice Department, though it remains weak and subject to corruption. The current government of Prime Minister Ilir Meta has been in power since October 1999, and has begun to implement commitments to crack down on organized crime. The Albanian military and police work closely with the Italian police and coastal patrol organizations to shut down smuggling runs of illegal immigrants, drugs and other contraband across the Adriatic to Italy. In November 2000, the government mounted an antitrafficking initiative, Operation Eagle, that increased cooperation with these organizations, particularly in the port city of Vlore, a known trafficking center in drugs, illegal migrants, weapons and other contraband.

Plagued by severe unemployment, crime, and lack of infrastructure, the Albanian public focuses little public attention or debate on the problem of drug abuse. There are no independent organizations that compile data on drug use in Albania, nor are significant government assets dedicated to tracking the problem. But Albania is experiencing an upsurge in drug abuse by younger Albanians. Heroin and marijuana are abused; cocaine is also available, but is expensive, and this fact restricts its use. Heroin is imported from the Former Yugoslav Republic of Macedonia, but originates in Afghanistan; marijuana is produced domestically. Local addicts also use a powerful synthetic morphine called pethidine. The limited press and media coverage on the subject speculates that drug use, especially among adolescents in cities, is on the rise. There are no special treatment centers for drug addicts.

III. Country Action Against Drugs in 2000

Policy Initiatives. In 1998, the Ministry of Public Order opened an antidrug unit, which remains understaffed and lacking basic equipment. In 1999, the government drafted two laws that derive partially from the 1998 UN Drug Convention. These laws call for national coordination of policies regarding use and trafficking of narcotics as well as establishing a framework to improve criminal investigations in drug-related cases. As of December 2000, no date was set for parliament to consider these drafts. The government is also taking an active role with its Balkan neighbors bilaterally and in regional initiatives to combat organized crime. Albania is a participant in the Stability Pact and the Southeast European Cooperation Initiative (SECI).

Accomplishments. Although antidrug authorities do not have the capacity to determine crop sizes and yields, they estimate that police destroyed more than 256,000 marijuana plants in the first 11 months of 2000, believed to be more than 50 percent of the total harvest.

Law Enforcement Efforts. Authorities report that in 2000, police arrested 640 persons for drug trafficking, four of them foreign citizens (one American, two Turks, and one Greek). The police seized 23.5 kilograms of heroin, 28 kilograms of cocaine, and over two liters of hashish oil. Asset seizure was legalized as an anti-smuggling weapon in 1998, when legislation was passed that allows for the seizure and sale of boats used for smuggling. In August 2000, Parliament passed a new *Anti-Speedboat* law that enables police to seize speedboats used in illegal trafficking, including drugs, not only at sea, as was the case in the past, but on land as well.

Illicit Cultivation and Production. With the exception of cannabis, Albania is not known as a major producer of illicit drugs. According to authorities of the Ministry of Public Order's antidrug unit, in 2000, cannabis is the only drug grown and produced in Albania, and is typically for consumption or sale in Belgium, France, Germany, Greece, and Italy. Metric ton quantities of Albanian marijuana have been seized in Greece and Italy. The Ministry of Public Order reported that police forces destroyed cannabis plants in 41 villages, mostly in southern Albania. The ministry also reported a new trend(s): the growing of red poppies and cannabis in Northern Albania.

Precursor Chemical Control. Albania is not a producer of significant quantities of precursor chemicals. Albanian law does not address precursor chemicals.

Distribution. Corruption among police and magistrates hampers efforts to crack down on drug distribution, though distribution is less of a problem than transit of illegal narcotics for international trafficking. However, police efforts to combat distribution may be increasingly effective since the government now has greater authority over areas previously out of their control.

Sale, Transport, and Financing. Organized crime plays a significant role in drug trafficking, including the facilitation of sales, financial arrangements, and smuggling. The government, in cooperation with Italian authorities, has made some progress in interdicting narcotics smugglers at sea.

Drug flow/Transit. Heroin and cocaine are the main drugs that transit Albania. Authorities report that heroin typically follows through the "Balkan Route," while traffickers ship cocaine by air from the U.S. and Latin America, with a stop in Albania, and then on to Western Europe.

Agreements and Treaties. The United States has an extradition treaty with Albania that entered into force on November 13, 1935. As stated earlier, Albania is not a party to any of the UN Drug Conventions. Albania signed the U.N Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Demand Reduction. Drug abuse is a comparatively new problem in Albania and the government and Albanian society have been slow to address it. Local and national authorities do not believe the problem is particularly widespread, owing both to traditional cultural norms and low levels of discretionary income.

Corruption. Corruption remains a deeply entrenched problem. Low salaries and social acceptance of graft make it difficult to combat corruption among police, magistrates, and border officials. In 2000, the Ministry of Public Order established an Anti-Organized Crime directorate with technical assistance provided by the U.S. Department of Justice's ICITAP and OPDAT with funding by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL).

IV. U.S. Policy Initiatives and Programs

Bilateral and Multilateral Cooperation. The GOA continues to welcome assistance from the United States and Western Europe. The U.S. is intensifying its activities in the areas of public order and legal reform with expanded programming and additional staff members at the U.S. mission in Tirana. Additional U.S. advisors will work with the Ministry of Public Order to support efforts to fight organized crime and trafficking in 2001. Other USG, EU, and international programs include support for Albanian customs reform and enhanced border controls, continued judicial training, efforts to improve cooperation between police and prosecutors, and anticorruption programs. The U.S. continues to offer Department of Justice/ICITAP police training programs and OPDAT training and technical assistance for prosecutors.

The Road Ahead. The U.S. will continue to push the Albanian government to encourage progress on illegal drug trafficking and use law enforcement assistance efficiently, and support legal reform. The U.S. assistance will increase in 2001 to provide additional guidance and training to law enforcement and judiciary bodies, including the planned posting of two additional ICITAP experts to help establish the Ministry of Public Order's Organized Crime Unit. EU and international efforts will provide the GOA with additional support.

Armenia

I. Summary

Armenia is not a major drug producing country, and domestic consumption is relatively small. The Government of Armenia (GOAM), however, recognizing its potential as a transit route for international narcotics shipments, is working to improve its interdiction ability. The Armenian parliament is presently considering legislation, which would strengthen the Interior Ministry's mandate to combat drug trafficking. Because of limited government resources, however, counternarcotics programs emphasize prevention with little funding for treatment. Armenia is a party to the 1988 UN Drug Convention. It is expected that in January or February 2001 Armenia will sign an Agreement on Collaboration of Member States of the Commonwealth of Independent States in Combating Illegal Trafficking of Narcotic, Psychotropic and Precursor Substances.

II. Status of Country

Because of its geographical position, Armenia has the potential to become a significant transit point for international drug trafficking. Armenia is presently a secondary trafficking route for drugs because of limited transport between it and neighboring countries. However, according to the Ministry of Interior, transit through Armenia is increasing. The Interior Ministry estimates that 75 percent of all opiates in Armenia are being smuggled from Iran, constituting about 50 percent of all narcotics smuggled into Armenia. Armenia's borders with Azerbaijan and Turkey remain closed due to the Nagorno-Karabakh conflict, but when these borders open, drug transiting could increase significantly. The GOAM's immediate concern is to prepare its law enforcement capabilities for this situation.

Drug abuse is not a serious problem in Armenia. The local market for narcotics, according to the Interior Ministry, is not large and the main drugs of choice are opium and cannabis. Heroin first appeared in the Armenian drug market in 1996 and since then there has been a small upward trend in heroin sales.

The number of substance abusers has been on the rise over the past three years. The average age of users has gone from 35 to 25 in recent years. The Ministry of Interior has reported an increase in drug use among 15 to 17 year olds, which may be explained in part by increased use of narcotics in cafes and nightclubs and a rise in prostitution. The rising number of persons who have tested HIV positive, generally associated with drug use, has also become a concern. It is estimated that the number of drug abusers in Armenia exceeds 10,000, of that number 50 percent report consuming opiates. The average cost of treatment for one drug addict to the state is USD250.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The newly drafted General Section of the Criminal Code has passed all three parliamentary readings and it is currently waiting Presidential approval. This section includes a draft law on narcotic drugs, prepared by the Interior Ministry, pertaining specifically to psychotropic substances and includes provisions that would give the Ministry a clear mandate as the lead agency for combating drug trafficking. The Interior Ministry has also drafted a decree for the establishment of a joint committee to update the classification of drugs and to introduce stricter control over licit production, sale, and distribution of pharmaceutical drugs of a psychotropic nature.

Accomplishments. According to both the Ministry of Interior and the Office of the Prosecutor General (OPG), during the first nine months of 2000, there have been 789 incidents of crime associated with illegal trafficking in drugs registered, compared with 1062 for the same period of the previous year. This constitutes a decrease by 273 incidents or 25.7 percent. To date according to the OPG, 54.0kg of narcotic substances have been confiscated, against 43.1kg for the same period last year. The OPG explains this trend as a result of a more active approach to uncovering criminals involved in the sale of narcotics.

According to the Office of the Prosecutor General domestic production, such as wild hemp, is grown primarily in the Provinces of Ararat and Gegharkunik, and to a lesser extent in the Provinces of Armavir, Lori, and Syunik. Importation of drugs to Armenia originates mainly from Russia, Iran and Turkey for Heroin; Russia, Iran, Ukraine and Asian Countries for Opiates; and Iran for Marijuana. Motor vehicles are the main mode of transportation, though other means such as planes are used as well.

Law Enforcement Efforts. In 1999, the Interior Ministry began to deploy joint teams of Armenian police and customs representatives at each customs post and checkpoint. The Ministry obtained fifteen drug-sniffer dogs from Western Europe for this purpose. Based on the Embassy's periodic review, initially the canine program was deemed a success, but training of the dogs has not been adequately maintained and they are not exercised on a regular basis, resulting in less effective skills of the dogs in the program.

Corruption. There were no cases reported of government officials being involved in drug-related corruption in 2000. However, corruption remains endemic in Armenia.

Agreements and Treaties. Armenia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol, and the 1971 Convention on Psychotropic Substances. Armenia

is a signatory to the 1992 Kiev and 1996 Dushanbe narcotics control assistance agreements of the NIS countries. In 1999, Armenia, Georgia, and Iran signed a trilateral agreement on cooperation to combat drug trafficking. Armenia has also signed bilateral agreements on cooperation against illicit traffic in narcotics and psychotropic substances with the Customs Service of Turkmenistan, Customs Committee of Georgia, and the Customs Committee of Tajikistan. The OPG expects that in January/February 2001 Armenia will sign an Agreement on Collaboration of Member States of the Commonwealth of Independent States in Combating Illegal Trafficking of Narcotic, Psychotropic and Precursor Substances.

Cultivation and Production. Cannabis (hemp) and opium poppy grow wild in northern areas of Armenia, particularly in the Lake Sevan basin and in some mountainous areas. No illicit laboratories producing synthetic drugs were discovered in Armenia in 2000.

Drug Flow/Transit. Transit of illegal drugs is recognized as the most serious concern for the GOAM, however, no estimates of the total amount of drugs transported through Armenia are available. The main drug routes run from Iran, to Russia and Ukraine and almost all heroin brought to Armenia originates from those countries.

Demand Reduction. Drug abuse is one of the most serious concerns of health authorities, due to poor financing, a lack of communication with remote rural areas, and a lack of interest in "preventative actions" on the part of local NGOs.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Cooperation was established between the U.S. and Armenian law enforcement agencies in a number of areas. Armenian officials have participated in U.S.-funded training sessions both in Armenia and at the International Law Enforcement Academy (ILEA) in Budapest, Hungary. Armenian police officers and border guards have attended training on investigative techniques, forensic techniques, crisis management, domestic violence, and internal controls. Members of the legal sector have attended training on drafting legislation, prosecutorial functions, judicial reform, and public corruption. The Armenians have teamed up with U.S. advisors to work on launching a program that will combat money laundering and economic crimes for Armenian law enforcement officers and judges.

The Road Ahead. The U.S.G. will continue working with the Armenian government to improve training of both their law enforcement and rule of law sectors. There are plans to provide much needed equipment that will enhance training in every area of concern. The Armenian government has agreed to continue its cooperation with neighboring countries in a regional effort to control drug trafficking through the Caucasus.

Austria

I. Summary

Throughout 2000, Austria remained primarily a transit country for drug trafficking from the Balkans to Western European markets. Organized drug trafficking is carried out largely by non-Austrian criminal groups. Austrian authorities have expressed concern over the continued rise of organized crime, which they attribute predominantly to Mafia-type gangs from Russia and other former East Bloc countries. Production or cultivation of illegal substances in Austria remains insignificant. The law enforcement community believes the expanded investigative tools, contained in several recently passed laws, give them the means to fight organized crime. Austria made combating narcotrafficking a priority during its OSCE chairmanship in 2000. Cooperation with U.S. authorities is excellent. Austria has been a party to the 1971 and 1988 UN drug conventions since 1997.

II. Status of Country

Production of illicit drugs in Austria continues to be marginal, but Austria remains a transit country for drugs that organized crime syndicates transport along the major European drug routes. Seizures of heroin rose to 200 kilograms by November 2000 from 118.213 kilograms in 1999. Seizures of MDMA ("ecstasy") also rose significantly in 2000. The number of drug-related deaths rose to 215 in 2000 from 174 in 1999. Unofficial estimates place drug-related crime at about 30 percent of all offenses. Most organized drug crime can be traced back to perpetrators in the NIS (Newly Independent States). Austria heeded a European court decision and abolished anonymous passbook savings accounts in 2000, further hindering money-laundering possibilities. This move also halted a related Financial Action Task Force (FATF) initiative to suspend Austria's membership for noncompliance. Complementary legal measures in 2000 served to close remaining loopholes for unmonitored transactions.

III. Country Action Against Drugs in 2000

Policy Initiatives. The new center-right coalition government (OVP/FPO), installed in February 2000, has sought minor changes in Austria's liberal drug policies. Its policy objectives include measures to reduce the decreed "limit quantities" (e.g. 20 grams for cannabis THC), over which drug use becomes a crime. One part of the government has called for increases of the existing range of punishments for drug dealers. Drug experts have termed these steps a move toward a more "repressive" drug policy, while the opposition Social Democrats

and Greens continue to favor total decriminalization of cannabis. The Government of Austria's strategy at the same time includes a commitment to intensify drug prevention education. Existing legislation, last overhauled in the 1998 Narcotic Substances Act, focuses on therapy for drug users and foresees severe penalties for drug dealers. While drug dealers may face up to 20 years in prison, first-time users of cannabis may avoid criminal proceedings if they agree to therapy.

Austrian investigators maintain that a 1998 law directed against organized crime, which allows technical surveillance of persons "strongly suspected" of having committed "crimes punishable up to 10 years," has helped them arrest a large number of drug dealers since its passage. A related investigative tool, the "Police Powers Law," was amended in 2000 by the new government. It authorizes investigators to collect and analyze information about likely extremist/terrorist groups without judicial approval and prior to the establishment of "substantiated suspicion."

Accomplishments. With the help of new legal tools and the support of the DEA Office at the U.S. Embassy in Vienna, police seized 104 kilograms of heroin at Vienna's Schwechat Airport in June 2000. This and most other drugs seized in Austria in 2000 entered Austria by way of the Balkan route. In May 2000, authorities seized 1,170 kilograms of cannabis at the border crossing from Slovenia. Authorities believe the absence of major cocaine seizures at Vienna's Airport, a traditional cocaine transit port, could be attributed to a redirection of drug-smuggling routes. In the fall of 2000, Austrian authorities arrested members of an Austrian-Polish drug ring, whom they accused of producing and selling illicit drugs (including 120,000 ecstasy tablets) worth \$670 million. In December 2000, Austrian authorities destroyed a drug-ring in the state of Styria, arresting 16 suspected drug dealers. Also in December 2000, Austrian authorities, in cooperation with the DEA, seized 10.5 kilograms of heroin from a Polish, Russian, and German drug ring. Overall, authorities estimate that one out of two criminal offenses in Austria is drug-related.

In 1999, authorities registered 17,597 cases of domestic drug-related criminal offenses, compared to 16,624 for the previous year; 2000 figures are not yet available. (Fifteen cases involved U.S. citizens). No major changes in these figures are expected for 2000. According to a 1998 study, the country spent about \$135 million annually (i.e., 0.27 percent of total budget outlays that year) to combat illegal drugs. Two-thirds of this amount went into law enforcement efforts.

International Policy. As chair of the OSCE in 2000, Austria worked diligently to make the fight against drug trafficking one of the priorities of its term. During its term as OSCE Chief, Austria sponsored an antidrug summit in Tashkent/Uzbekistan in October 2000. Austria continues to cooperate within EU fora, to prioritize social and health policy measures and to urge inclusion of NGOs at the planning stages of the EU's antidrug strategy plans. Overall, Austrian authorities routinely stress the need for increased international cooperation in view of the growing internationalization of the drug trafficking cartels. The central narcotics bureau participated in a reciprocal exchange program for improving investigative procedures with officials in Slovakia, FYROM (Former Yugoslav Republic of Macedonia), and Slovenia.

Austria has legislation allowing freezing and forfeiture of assets. Criminal courts are responsible for tracing and seizing assets. Austria has not enacted laws for sharing seized narcotics assets with other governments; however, mutual legal assistance treaties can be used as an alternative vehicle to accomplish equitable distribution of forfeited assets. In the first 11 months of 2000, \$10.7 million were frozen, of which \$7.7 million were due to one case.

Law Enforcement Efforts. As of November 1, 2000, law enforcement authorities had registered a marked rise in heroin seizures (200 kilograms by the end of November 2000) and a notable drop of cocaine seizures at Vienna's Schwechat Airport. In 1999, authorities seized 99.140 kilograms of cocaine, an increase from the 62.377 kilograms seized in 1998. Of all drug offenses in 1999, 386 were related to illegal possession of psychotropic substances, mainly in the form of controlled substance medications. No offenses were registered in 1999 regarding precursor materials. The overall number of illicit drug abusers is believed to have remained stable, although no exact figures exist. In 2000, as in previous years, there were approximately 15,000 to 20,000 drug users in Austria. By October 2000 authorities had registered 215 cases of suspected drug-related deaths, an increase over the 174 drug-related deaths reported in 1999.

Corruption. Austria ratified the OECD Antibribery Convention in 1999. The GOA's public corruption laws recognize and punish the abuse of power by a public official. Austria has eliminated tax deductibility of bribes and any gray market payments. There are no cases pending at the moment which involve any bribery of foreign public officials. According to a December 2000 Interior Ministry report, use of corruption by NIS-based organized crime gangs constitutes a rising threat. In reaction, Austrian authorities have increased their efforts to prevent and fight corruption since 1999. For this purpose, an ad hoc panel was established in the Interior Ministry that is charged with designing counter strategies. The U.S. is not aware of any high-level Austrian government officials' involvement in drug-related corruption.

Agreements and Treaties. The U.S.-Austrian Mutual Legal Assistance Treaty, signed in 1995, was ratified by the Austrian Parliament in June 1998 and entered into force on August 1, 1998. An updated U.S.-Austrian

extradition treaty became effective in January 2000. It replaced a 1930 extradition treaty with Austria and a 1934 supplementary extradition convention. The new treaty is a modern dual criminality treaty, i.e., it no longer lists specific extraditable offenses, but makes extraditable all criminal offenses that are prosecuted in both countries and carry a penalty of more than one year or a residual penalty of more than three months.

Vienna is the seat of UNDCP, and Austria is a "major donor" to the UNDCP. As in past years, it has pledged ATS 6.88 million (\$460,000) each year for 2000 and 2001. In 1998, Austria became a full member of the Schengen process, to eliminate passport control and visas for internal travel among European member states. It has invested an equivalent of \$250 million for Schengen-related measures since. Vienna is a co-sponsor of the "UN-Vienna Civil Society Award," a USD 100,000 prize given to individuals and organizations fighting drug abuse and organized crime. In 2000 the UN and Austria awarded the prize to organizations from Colombia, Chad, and Thailand, as well as to the late British drug expert Roger Lewis. On December 12, 2000, Austria signed the UN Transnational Organized Crime Convention and its protocols, and urged "swift ratification of the document by all signatory parties."

Cultivation. The U.S. is not aware of any significant cultivation or production of illicit drugs in Austria. Austria recorded no domestic cultivation of coca, opium, or cannabis in 1999.

Drug Flow/Transit. Most drugs enter Austria by way of the Balkan Route from Southwest Asia. The illicit trade is carried out mainly by Turkish groups, but also by Albanian traffickers based in southern Yugoslavia, followed by nationals of countries of the former Yugoslavia. The Slovak capital of Bratislava remained a temporary heroin depository for traffickers. Cocaine continues to be smuggled by couriers of South American drug cartels, to some extent also by African traffickers and, most recently, by Caribbean-based Austrian nationals. South American drug cartels increasingly use Central and Eastern European airports, including Austria's. Since 1999, Croatian cocaine traffickers with links to South American cartels have become more prominent in Austria.

Domestic Programs (Demand Reduction). Austrian authorities have traditionally viewed drug addiction as a disease rather than a crime, a fact reflected in rather liberal drug legislation last amended in 1998, and in related court decisions. Experts predict that legislative plans by the new center-right coalition will redress what some perceive as an excessively tolerant philosophy. Existing antidrug plans on the federal and state level pursue a "balanced, comprehensive and integrative" approach, with special emphasis on the prevention of social marginalization of drug addicts. Demand reduction puts emphasis on primary prevention, drug treatment and counseling, as well as "harm reduction," i.e., medically supervised availability of narcotics to recalcitrant abusers. The use of heroin for claimed therapeutic purposes is generally not allowed.

Drug education starts at the pre-school level. It extends to apprenticeship institutions and includes out-of-school youth programs. The government and local authorities routinely sponsor "educational campaigns" inside and outside school, e.g. mass media campaigns. Austria has syringe exchange programs for HIV prevention. New AIDS cases declined in 1999 and 2000, while the spread of Hepatitis B and C remains a relatively new challenge. There is a growing trend toward diversification in substitution treatment (methadone, prolonged action morphine, and buprenorphine), which has been in place for over a decade. The city of Vienna has been considering the use of cannabis for medical purposes, but has been unable so far to put a pertinent legal framework in place.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Although Austria has no specific bilateral narcotics agreement with the U.S., Austrian cooperation with U.S. investigative efforts is excellent. U.S.-Austrian negotiations on the establishment of an Interior Ministry liaison office at the Austrian Embassy in Washington, D.C. continued in 2000. The office would handle bilateral issues involving all forms of crime, including illegal narcotics. In July 2000, the Austrian chief of narcotics participated in the "Club Drugs Conference," sponsored by the DEA, which discussed ways to combat synthetic drugs. In August 2000, Austrian Interior Minister Strasser discussed cooperation on law enforcement issues in Washington with officials from U.S. agencies, including the DEA, FBI, CIA, the State Department, and with U.S. Attorney General Janet Reno.

The Road Ahead. The U.S. will continue to support Austrian efforts to create more effective tools for law enforcement, as well as to work with Austria within the context of U.S.-EU initiatives, the UN and the OSCE, promoting among Austrian officials a better understanding of U.S. drug policy will remain a priority.

Azerbaijan

I. Summary

Azerbaijan is located along a drug transit route running from Afghanistan and Central Asia west into Western Europe, and from Iran north into Russia and west into Western Europe. Consumption and cultivation of narcotics are at low, but levels of use are increasing. During 2000, the main drugs seized were opium and cannabis. Section 907 of the Freedom Support Act has precluded the funding of U.S. counternarcotics

assistance. Azerbaijan is a party to the 1988 UN Drug Convention.

II. Status of Country

Azerbaijan's main narcotics problem is the increased transit of drugs through its territory resulting from the disruption of the "Balkan route" due to regional ethnic conflicts in several countries of the former Yugoslavia. Narcotics from Afghanistan and South Asia enter from Iran or cross the Caspian Sea from Central Asia and continue on to markets in Russia and Europe. Azerbaijan shares a 700-km frontier with Iran, but its border control forces are insufficiently trained and equipped to patrol it effectively. Iranian and other traffickers are exploiting this situation. Domestic consumption is growing with over 13,500 persons registered in hospitals for drug abuse in Azerbaijan. The actual level of drug abuse is estimated to be many times higher. Government authorities suspect that persons displaced by the Nagorno-Karabakh conflict have been drawn into drug trafficking out of economic necessity. The Government of Azerbaijan (GOAJ) continues to claim that the Armenian occupied areas of Azerbaijan are used for drug cultivation. The GOAJ also maintains that narcotics are transported across the approximately 100 km of Azerbaijan's border with Iran that is under the control of Armenian/Nagorno-Karabakh forces.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The "State Committee on Drug Control" headed by Deputy Prime Minister Ali Hasanov, continues to lead antinarcotics policy initiatives. This Committee is responsible for the implementation of the United Nations General Assembly resolutions relating to drug control. The Ministry of Internal Affairs has continued their program in the southern portion of the country, along the border with Iran, that organizes local counternarcotics police officials to work closely together across local jurisdictions.

Accomplishments. A new criminal code entered into force in September.

Law Enforcement Efforts. There were 2,061 drug-related arrests during the first ten months of 2000. Police lack basic equipment and have little experience in modern counternarcotics methods. Border control capabilities on the border with Iran and maritime border units are inadequate to prevent narcotics smuggling. This year customs officials seized and destroyed a large shipment of opium poppy seeds that originated in Afghanistan.

Corruption. Corruption permeates the public and private sectors. Government officials including the President and Prime Minister have remarked on the gravity of the problem. Current legislation has proven **inadequate to address police and judicial corruption.**

Agreements and Treaties. Azerbaijan has no narcotics-related agreements or treaties with the U.S. and no extradition agreement. Azerbaijan is a party to the 1988 UN Drug convention, the 1971 Convention on Psychotropic Substances, and the 1961 Single Convention. Azerbaijan signed the UN Convention Against Transnational Organized Crime and Accompanying Protocols in December, 2000.

Cultivation and Production. Cannabis and poppy were cultivated illegally, mostly in southern Azerbaijan. During the first ten months of 2000, law enforcement authorities discovered and destroyed about 388 tons of cannabis and about 45 kilograms of potential opium gum, which were under cultivation.

Drug Flow/Transit. Narcotics traffickers seem to rely on familiar transit routes. Opium and poppy straw originating in Afghanistan and South Asia transit through Azerbaijan from Iran, or from Central Asia across the Caspian Sea. Drugs are also smuggled through Azerbaijan to Russia, then on to Central and Western Europe. Azerbaijan cooperates with Black Sea and Caspian Sea states in tracking and interdicting narcotics shipments, especially morphine base and heroin. Caspian Sea cooperation includes efforts to interdict narcotics transported across the Caspian Sea by ferry. Law enforcement officials report they have received good cooperation from Russia, but have encountered considerable reluctance from Iran to assist in counternarcotics efforts.

Demand Reduction. Opium and cannabis products are the most commonly used drugs. The government of Azerbaijan has begun education initiatives directed at curbing domestic drug consumption.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. Law enforcement exchange of information with Azerbaijan has increased in 2000. Counternarcotics programs are severely limited because section 907 of the Freedom Support Act prohibits assistance to the Government of Azerbaijan. Three Azerbaijan government officials participated, at their own expense, in a regional U.S. training program in Georgia.

The Road Ahead. Without establishment of legal authority to allow the U.S. to provide counternarcotics assistance to the government of Azerbaijan, a key strategic partner in improving regional stability in the Caucasus, nothing more than piecemeal, bilateral cooperation between the two countries will be possible.

Belarus

I. Summary

Belarus' economic, political, and geographical situation increases its potential of becoming a major drug transit and production site. Deteriorating economic conditions and a sharp drop in real wages continue to dislocate many workers. The sentiment that wealth can and should be acquired by any means possible is growing. The Belarusian government currently lacks both the legislative framework and the financial resources to combat drug trafficking.

II. Status of Country

Belarus' location between Russia and the West, combined with its good rail and road transportation system, and a customs union with Russia that eliminated internal borders between the two countries, add to Belarus' potential as a narcotics transit corridor.

According to Ministry of Health data, the number of officially registered drug addicts totals 5000, with an estimated 700 to 800 new registrants per year. These numbers do not take into account non-registered addicts who are estimated to exceed these numbers by a factor of ten. Most addicts use products made of opium poppy, oil poppy or marijuana. However, synthetic drugs such as barbiturates, heroin, cocaine, and other drugs are being used in increasing quantities. There is a growing market for low-quality brown heroin.

III. Country Actions Against Narcotics in 2000

Policy Initiatives. Belarusian President Lukashenko has taken steps to strengthen the state's capacity to fight organized crime and drug trafficking. In Lukashenko's presidential decree 21, of 1997, he directed the police to intensify their efforts to combating organized crime and their enterprises. There were no significant policy initiatives in 2000.

Accomplishments. In June 1995 an interagency commission for combating crimes and drug abuse was established. This commission is charged with coordinating the activities of various Belarusian agencies, as well as, state committees, public associations, and international organizations.

Law Enforcement Efforts. A considerable number of crimes recorded over the last two years are related to smuggling. These crimes included: stealing narcotic and addictive substances; organizing or maintaining drug dens for using drugs; and forging medical documents with the aim of procuring drugs. The Minsk office of the UN High Commission for Refugees has indicated that illegal immigrants in Belarus, attempting to travel to the west, often finance their trips through narcotics smuggling.

Responsibility for investigating and discovering narcotics-related crime is divided among the ministry of internal affairs, KGB, customs committee, border guards and ministry of health. Even with many agencies responsible for drug interdiction, resources are scarce and officers are spread thin because of other non-drug-related responsibilities.

Corruption. Belarus also faces many of the same organized crime problems that plague other countries of the Former Soviet Union. The absence of Belarusian laws on organized crime allows lead syndicates to use Belarus for not only drug production and trafficking, but also other drug related crimes such as money laundering.

Agreements and Treaties. Belarus is a party to the 1988 UN Drug Convention, the 1961 Single Convention and the 1971 UN Convention on Psychotropic Substances. Belarus is a member of INTERPOL, hosting a department of 12 persons dealing with issues of crime that transcend national borders. In addition, Belarus has joined regional efforts at law enforcement cooperation and has also signed bilateral agreements on cooperation against organized crime and drug trafficking, such as the 1993 on Drug Control Assistance Agreement with Italy and inter-state treaties with Lithuania and China. Currently, there are plans to sign similar agreements with Austria, Bulgaria, Sweden and Germany. Belarus signed the UN Convention Against Transnational Organized Crime and its accompanying Protocols in December, 2000.

Cultivation and Production. Opium poppy straw and marijuana are produced in Belarus mainly for domestic consumption. Belarus does not cultivate narcotics, but the country has major chemical production facilities and has all the resources necessary for the production of synthetic narcotics. The laboratory and technical capabilities are in place while much of the industrial plants are lying idle. There is no legislation or regulations dealing with precursor chemicals. Law enforcement is not trained in the detection of drug making facilities and does not have a ready list of indicators of clandestine production of synthetics. Unfortunately, control of precursor chemicals is not an issue that appears to be on the agenda of policy makers or even law enforcement officials, and the chemical industry is left to police itself. Since most precursor chemicals are highly regulated, Belarusian authorities believe that they do not have a serious problem.

Drug Flow/Transit. Belarus is growing in importance as a transit country. Good rail and road connections running east to west and north to south are used to transport narcotics from areas such as Ukraine, Central Asia, the Caucasus, and Russia to Western Europe. In addition, incidents of drug transportation destined for

Poland and Germany have increased dramatically as a result of the customs union that eliminated internal borders between Belarus and Russia.

Demand Reduction. Belarus has not formulated a national drug abuse prevention strategy and only limited efforts are devoted to preventative and educational programs. Instead, the main emphasis is put on treatment and social rehabilitation of current drug addiction problems. Treatment for drug addicts is generally performed in psychiatric hospitals, either through arrest or self-enrollment. The emphasis of all Belarusian programs is to achieve detoxification and physical stabilization. Knowledge is lacking on how to further assist addicts with psychological counseling and social rehabilitation.

IV. U.S. Policy Initiatives and Programs

Bilateral Initiatives. Counternarcotics programs are prohibited by section 907 of the Freedom Support Act, which prohibits assistance to the Government of Belarus. This policy of selective engagement has resulted in the USG not providing support to GOB police agencies since February 1997.

The Road Ahead. Without legal authority to provide U.S. counternarcotics assistance to the government of Belarus, the U.S. is only able to engage in piecemeal humanitarian bilateral assistance.

Belgium

I. Summary

The Kingdom of Belgium has not been a significant producer of narcotics or precursor chemicals used in the production of illicit narcotics. However, police report that through November 2000, ten amphetamine or ecstasy labs have been seized compared to only four in all of 1999. Police also report a recent increase in cannabis cultivation. Belgium is a major trader in chemicals and is frequently used as a transit country for precursor chemicals destined for South America. Narcotics traffickers continue to exploit Belgium's large port facilities, transportation infrastructure, and central location in Western Europe for transshipment of illicit drugs. The increase in the incidence of trafficking in MDMA/ecstasy, which began in 1999, continued unabated in 2000. Belgium's contribution to the United Nations Drug Control Program (UNDCP) budget rose to \$451,000 in 2000. Belgium is a party to the 1988 UN Drug Convention.

II. Status of Country

Belgium has not been a significant producer of illicit narcotics or precursor chemicals. Recent developments, however, are cause for concern. Police seized ten amphetamine or ecstasy laboratories in 2000, compared to only four in 1999. Authorities suspect that Dutch synthetic drug producers are periodically shifting operations over the border from the Netherlands in order to avoid mounting law enforcement pressure there. Cannabis resin, also called hashish, is the most widely distributed and used illicit substance in Belgium, but heroin abuse produces the most important health and social problems, including drug-related crime. Belgian police recognize the growing threat posed by trafficking in MDMA/ecstasy.

Heroin trafficking into Belgium is in the hands of Turkish trafficking groups who dominate the Balkan transportation route. Turkey is both a major heroin processing country and a major heroin transit country, particularly for heroin destined for Europe. Authorities estimate that 75 to 80 percent of the Belgian heroin market is controlled by these Turkish groups. Additionally, Belgium is an important transit route for heroin destined to other European markets, but not the U.S.

III. Country Action Against Drugs in 2000

Policy Initiatives. In 1998, the government adopted a plan to re-organize the police forces. At the federal level, the Gendarmerie and the judicial police will be integrated into a federal police force in charge of major criminal investigations, including significant national and international narcotics investigations. At the local level, the Gendarmerie and the municipal police will be merged. The reorganization includes the creation of an anticorruption service for the federal police. The plan will combine approximately 17,000 members of the Gendarmerie, 1,200 members of the judicial police force, and 19,000 local and municipal police. Integration on the federal level is scheduled for January 1, 2001 when national agencies of the judicial police and the Gendarmerie will be merged. Local integration will follow later in the year.

A new state security plan, announced in June, included the creation of a special working group, under the auspices of the Ministry of Health, to devise a new Drug Control Strategy for Belgium. This working group, composed of representatives of all interested ministries, was expected to announce its findings in November 2000. However, discussions were continuing in December 2000 and the final report was delayed until early in 2001.

Accomplishments. In 1999 parliament passed an organized crime law that defines a "criminal organization" and criminalizes membership in such an organization. Individuals can be extradited or tried based solely on their membership in a criminal organization. The legislation endorses the use of undercover operations and

wiretaps by law enforcement agents.

Law Enforcement Efforts. Belgian law enforcement authorities pro-actively investigate individuals and organizations involved in illegal narcotics trafficking into and through Belgium. The law enforcement efforts of the Gendarmerie currently focus on major trafficking organizations; particularly those involved in trafficking of heroin, cocaine and, most recently, those involved in MDMA or ecstasy.

Belgium is also one of the preferred transit routes for organizations trafficking ecstasy to the United States, although there is no evidence that ecstasy entering the U.S. from Belgium is in an amount sufficient to have a significant effect on the U.S. Most of the ecstasy trafficked through Belgium originates in the Netherlands. Recently, special units have been established within the Gendarmerie to specifically investigate ecstasy trafficking organizations. Ecstasy seizures have increased dramatically. Dutch trafficking organizations commonly use Brussels' Zaventem airport as a transit point for drug couriers en route to the United States. Ecstasy seizures at Zaventem increased from 132,000 tablets in 1998 to 296,000 in 1999. Arrests increased from six in 1998 to 24 in 1999.

Interdiction efforts by Belgian customs authorities at Antwerp and Zeebrugge lack sufficient resources and manpower. Customs officials report that a five-man team of inspectors is responsible for all port activities involving drugs. Officials report that 3,000-4,000 containers are loaded and unloaded at the port of Antwerp on a daily basis. The inspection team has the capacity to search five to ten containers per week. In addition to containerized freight, customs also reports increased activity involving the ships' crew members. This entails the smuggling of smaller quantities of drugs by individual crew members and larger operations where crew members arrange to off-load large amounts of drugs from the ship before it reaches the dock.

Interdiction efforts by police and customs increased significantly in 2000. Customs officials seized an increasing number of packages destined for the U.S. from express mail companies and the Belgian postal service. For the first time, police at Zaventem airport initiated enforcement operations targeting outbound flights to the United States in response to the increasing number of couriers transporting (primarily) ecstasy to U.S. cities. The U.S. has no evidence that ecstasy entering the U.S. from Belgium is in quantities sufficient to have a significant impact on the U.S. Belgian customs officials at the port of Antwerp remain proactive and responsive to information concerning suspected drug shipments secreted on vessels or in containerized freight.

Belgian law on asset confiscation was expanded through national legislation adopted July 17, 1990, which allows for confiscation of proceeds of a crime, including investment income from crime proceeds and assets purchased with criminal proceeds. These measures complement Article 42 of the Criminal Code that defines confiscation. If the goods subject to confiscation cannot be located, a judge may assess their value and order confiscation of equivalent assets. This practice is known as "confiscation by equivalent."

Asset seizure legislation was expanded in May 1997 to provide procedures for the seizure of real estate and to provided a legal basis to freeze assets pending the outcome of a criminal investigation. The 1997 law also permits the Belgian judiciary to execute foreign judgments regarding seizure and confiscation of assets derived from drug trafficking or money laundering. Since the assets seizure legislation was implemented in 1990, judges have most frequently used "confiscation by equivalent" procedures. Since 1990, judges have used the confiscation procedure in 330 cases, involving an estimated illegal profit of more than \$155.5 million.

Corruption. Corruption is not judged a problem within the narcotics units of the law enforcement agencies. Legal measures exist to combat and punish corruption.

Agreements and Treaties. Belgium is a party to the 1988 UN Drug Convention. Belgium is also a party to the 1961 Single Convention and its 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. In December 2000 Belgium signed the UN Convention Against Transnational Organized Crime and its protocols. The U.S. and Belgium have an extradition treaty, as well as a new mutual legal assistance treaty entered into force in January 2000. Belgium and the United States are in the process of finalizing a Memorandum of Understanding to formalize Belgian participation in the Caribbean Maritime Counterdrug Initiative. Final approval is expected in early 2001.

In 2000, Belgium entered into a bilateral police cooperation agreement with Poland. This agreement is comprehensive in nature and includes the framework/guidelines for cooperation on narcotics matters. Negotiations for a bilateral police cooperation agreement are also underway with Slovakia.

The Belgian Ministry of Justice maintains drug liaison offices in 13 foreign cities with territorial competence for 33 countries. The drug liaison offices in Bangkok, Bogota, The Hague, Istanbul, Madrid, Moscow, Paris, Rabat, Rome, Vienna, Warsaw, Washington, and Wiesbaden are staffed by either judicial police or Gendarmerie officers. In 2000, new liaison officers were assigned to Morocco (Rabat) and Bucharest.

Belgium is a member of several international antidrug organizations, including the heads of European

Narcotics Law Enforcement Agencies (HONLEA), the European Committee to Combat Drugs (CELAD), and the Dublin Group. Belgium is a member of the major donors group of the UNDCP. Belgium ratified the Europol convention in June 1998.

Cultivation/Production. Police have noted an increase in production of amphetamines and ecstasy, primarily in illegal laboratories on the Belgium/Netherlands border. These laboratories are linked to criminal organizations that distribute the drugs within Europe and to the United States—most frequently through the cities of New York, Miami, Los Angeles and Orlando, Florida. Authorities have also reported an increase in the cultivation of cannabis, primarily in greenhouses but also in hydroponic facilities.

Drug Flow/Transit. Belgium remains an important transit point for drug traffickers because of its port facilities (Antwerp is Europe's second busiest port), airports, excellent road connections to neighboring countries, and central geographic location. Most illicit drugs pass through Belgium via the ports of Antwerp and Zeebrugge; across the border from the Netherlands; or through Brussels Zaventem airport. Smuggling routes change constantly, but Belgian authorities believe an increasing number of heroin shipments arrive from Central Asia via Turkey. Belgian customs reports that the heroin is most probably concealed in containerized freight in relatively small quantities of 10–15 kilograms. Customs reports that because Antwerp is considered a "free trade zone," traffickers know that inspections of containerized freight are minimal. These shipments take one of two trafficking routes: in northern Europe through Hungary, Poland, the Czech Republic, Slovakia and Austria or in southern Europe through Italy. Cannabis sold in Belgium originates in Morocco, Latin America, and Southeast Asia and arrives via land, air, and sea routes.

Express mail companies in and around Brussels are commonly used by trafficking organizations to smuggle ecstasy tablets into the United States. The express mail method of transport is particularly popular with import organizations in Los Angeles, New York, and Florida. Recently, Dutch groups have begun utilizing the Belgian postal system to send packages containing drugs to U.S. destinations. Israeli criminal organizations continue to play a prominent role in the transportation of ecstasy from producers in the Netherlands and Belgium to distributors in the United States. Belgian authorities are cooperating with U.S. law enforcement agencies to disrupt this transit route.

Demand Reduction. Belgium has an active antidrug educational program that targets the country's youth. The regional governments (Flanders, Wallonia, and Brussels) now administer such programs. The programs include education campaigns, drug hotlines, HIV and hepatitis prevention programs, detoxification programs, and a pilot program for "drug-free" prison sections. The Belgian system contrasts with the U.S. approach in that Belgium directs and targets its programs at individuals who influence young people versus young people themselves. Teachers, coaches, clergy, and the like are thought to be better suited to deliver the antidrug message to the target audience because they already are known and respected by the young people.

Belgium recently participated in a training program with the U.S.-based DARE program. DARE officials traveled to Belgium to sponsor a "train the trainers" project. Belgian based trainers are now qualified to teach the DARE program to other demand reduction officers in Europe.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Cooperation between the United States and Belgium continues to be excellent with an increasing number of joint investigations. This has resulted in an increase in the number of International Controlled Drug Deliveries (ICDs) facilitated by DEA between Belgium and the United States. These ICDs have been particularly effective in combating ecstasy trafficking between the two countries.

The DEA and the FBI enjoy close and effective cooperation with the judicial police and the Gendarmerie. U.S. law enforcement agencies represented in Brussels enjoy excellent working relationships with offices of the Belgian national magistrates and prosecutors.

The Brussels DEA country office and the Belgian Gendarmerie regularly exchange intelligence information concerning trends and techniques employed by ecstasy trafficking organizations operating between Belgium and the United States. This exchange of information (including arrest and seizure statistics) enables both countries to anticipate emerging patterns of drug transportation. Belgian police have recently initiated an intelligence program targeting outbound commercial flights from Belgium to the United States.

The Road Ahead. The United States looks forward to continued close cooperation with Belgium in combating illicit drug trafficking and drug-related crime, and to continued Belgian participation in multilateral counternarcotics fora such as the Dublin Group.

Bosnia and Herzegovina

I. Summary

Bosnia and Herzegovina (BiH) remains a small but growing market for drug consumption and is emerging as a regional hub for narcotics transshipment. Despite increasing inter-entity law enforcement cooperation, gradual

improvements in oversight of the financial sector, and several major drug seizures, local authorities are still politically divided, law enforcement efforts still poorly coordinated, and the justice system still antiquated and inadequate. The narcotics trade remains an integral part of the influence of the foreign and domestic organized crime figures and the ethnic extremists who operate with the tacit acceptance—if not active collusion—of corrupt public officials. Minimal border and customs controls, grave flaws in the regulatory structure, and the absence of political will have left few practical impediments to narcotics trafficking and related crimes through Bosnia. Bosnia is a party to the 1988 UN Drug Convention, and is attempting to forge ties with regional and international law enforcement agencies.

II. Status of the Country

Bosnia occupies a strategic position along the historic Balkan smuggling routes between heroin processing centers in Turkey and markets in Western Europe. Although Bosnia is not a major transit country for drugs coming to the United States, it remains a country of concern to the U.S. Narcotics trafficking emerged as a serious problem during the Bosnian conflict, both as a reflection of the general breakdown of law and order and as a means for the warring parties to generate revenue. Bosnian authorities at the state, entity, and cantonal level have been unable to stem the continued transit of illegal aliens, black market commodities (especially cigarettes), and narcotics since the conclusion of the Dayton Accords. Traffickers have capitalized in particular on minimal border controls, an inefficient judicial system, widespread public sector corruption, and poor coordination between law enforcement agencies.

Although domestic production is limited to small-time cannabis cultivation, local authorities – particularly those in Sarajevo canton – are concerned that the "foreign influence" of Bosnia's large international community and the impact of rapid urbanization and high unemployment will contribute to the development of a domestic market for narcotics consumption.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Although Bosnia has neither a national police force nor a national counternarcotics strategy, the initial deployment of the State Border Service (SBS) in June has markedly improved controls at a limited number of international crossing points. Telephone hotlines, local press coverage, and public relations efforts organized by the international community have focused public attention on smuggling and black-marketeteering. Foreign donors continue to provide law enforcement assistance training to Bosnian authorities both on a bilateral basis and through international agencies. The USG's bilateral law enforcement assistance program continues to emphasize counternarcotics and task force training.

Accomplishments. Under close supervision by the international community, Bosnian law enforcement agencies have taken initial steps toward substantive cooperation on the counternarcotics front, most notably with the recent formation of an inter-entity joint task force. The Federation (one of two "entities" created by Dayton, the other entity being the "Republika Srpska" or "RS") Interior Ministry is finalizing plans to establish branch offices in each canton, an initiative which will greatly increase its ability to more aggressively pursue its mandate as the lead counternarcotics agency in the Federation.

Despite these isolated initiatives, however, neither the RS nor the Federation has made significant progress in addressing the sclerotic legal environment that allows criminals to act with virtual impunity. Neither entity has vigorously pursued new legislation to reinforce existing asset seizure/forfeiture or money-laundering statutes. Law enforcement cooperation is primarily informal and ad hoc. Mutual legal assistance is severely limited by the judicial bureaucracy, and serious legal and bureaucratic obstacles to the extradition of Bosnian citizens remain in place. The conclusion of a bilateral border-control agreement with Croatia, upgrades in Bosnia's INTERPOL office and more active participation in regional fora such as the Southeast Europe Cooperation Initiative (SECI) may presage improvements in these areas.

Law Enforcement Efforts. Law enforcement efforts improved in 2000, but remain inadequate given the level of narcotics trafficking. Police counternarcotics operations in the Federation have resulted in 394 arrests and the seizure of over 40 kilograms of marijuana in 2000. Cantonal police in Bihac in Western Bosnia seized over 2,000 marijuana plants in 2000. In separate actions between September 30 – October 1, 2000, law enforcement authorities in the Republika Srpska (RS) seized a 144 kilograms shipment of cocaine and a 70 kilograms shipment of marijuana, both reportedly destined for shipment to Western Europe.

On November 29, 2000, Sarajevo Canton authorities arrested Nazim Uskuplu, a Turkish national wanted by European authorities for his alleged role in narcotics trafficking operations throughout Central and Eastern Europe. Uskuplu's arrest (based on an INTERPOL warrant) is an important step forward in Bosnia's full membership in INTERPOL; local officials are investigating Uskuplu's actions and associates in Bosnia but believe his presence in BiH indicates major trafficking activity. On November 11 2000, local authorities seized an 11 kilogram shipment of marijuana, reportedly from Albania, near Mostar in southern BiH.

These actions represent largely isolated efforts by local authorities rather than a coordinated national counternarcotics program. Despite these individual successes, narcotics-trafficking remains a crime of

opportunity limited primarily by the interest of criminal elements in the higher profit margins offered by black-market dealing and alien smuggling. Ethnic Albanians, supplied by Turks, are responsible for smuggling Turkish-refined heroin through Bosnia to Western Europe. Authorities have yet to focus systematically on major narcotics traffickers; they have yet to bring a major case to trial or bring adequate resources to bear. The recent closure of the UN Drug Control Program (UNDCP) office in BiH will further complicate local initiatives and impede coordination with international authorities. To date, existing asset seizure and forfeiture statutes have neither been pursued by prosecutors nor imposed by judges. There is no established mechanism to identify, trace, or share narcotics-related assets.

Corruption. Law enforcement agencies have substantiated links between the narcotics trade and the parallel institutions that undermine the rule of law in Bosnia. Bosnia has no laws specifically targeting narcotics-related public sector corruption and has not pursued charges against public officials on narcotics-related offenses. A long-standing parliamentary inquiry into the disappearance of over 20 kilograms of heroin from the safe of the war-time Federation Interior Minister has made no progress to date. The U.S. Embassy in Sarajevo is coordinating closely with the Stabilization Force (SFOR), the United Nations Mission in Bosnia-Herzegovina (UNMIBH), and the Office of the High Representative (OHR) to combat the influence of organized crime, corrupt officials, and ethnic hard-liners, all of whom use the narcotics trade to generate revenue.

Agreements and Treaties. There is no bilateral agreement between BiH and the United States specifically pertaining to counternarcotics. Counternarcotics does feature prominently in the USG's bilateral law enforcement assistance training program, which has provided both the Federation and the RS advice and assistance in a broad range of law enforcement issues including investigative techniques, border controls, and major case management. Although both entities worked closely with the UNDCP under the terms of a 1997 agreement, UNDCP concluded its program in BiH in early 2000. Bosnia is a party to the 1988 UN Drug Convention and is developing bilateral law enforcement ties with neighboring states to combat narcotics trafficking. Bosnia signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Drug Flow/Transit. Major heroin and marijuana shipments are believed to travel through BiH by several well-established overland routes. Local officials believe that Western Europe, not the U.S., is the ultimate destination for this traffic. Judging by reported seizures, cocaine trafficking is minimal; the market for designer drugs such as ecstasy in urban areas is small but reportedly growing. Law enforcement authorities posit that elements from each ethnic group and all major crime "families" are involved in the narcotics trade, often collaborating across ethnic lines. There is mounting evidence of links between—and conflict among—Bosnian criminal elements and organized crime syndicates in Russia, Albania, the FRY, Croatia, Austria, Germany, and Italy. Drugs are believed to have figured prominently in the June murder in Sarajevo of a Montenegrin figure with reputed ties to narcotics trafficking.

Cultivation and Production. Federation Interior Ministry officials believe that domestic cultivation is limited to small-scale marijuana crops grown in southern and western BiH. Although refinement and production are negligible, law enforcement officials indicate that Bosnia is increasingly becoming a temporary storage point for drug shipments en route from east to west.

Domestic Programs. USG-sponsored community-oriented policing programs, which contain a strong antidrug component, have reached over 40,000 Bosnian children. Although individual cantons have sponsored pilot community outreach programs and sought international assistance to introduce more proactive initiatives, there is no national drug awareness program.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The USG remains committed to providing the counternarcotics training and support needed to foster independent law enforcement operations by BiH authorities.

The Road Ahead. With the International Police Task Force's ongoing shift from training to monitoring of local police forces, the international community ("IC") will increasingly emphasize advanced specialized training in areas such as counternarcotics. The USG in particular has focused its bilateral training programs on related subjects such as organized crime, public sector corruption, and border controls. The IC is working to increase local capacities and to encourage interagency cooperation by mentoring and advising the local law enforcement community. The recent formation of an inter-entity joint task force will facilitate the exchange of information between RS and Federation authorities and could pave the way for inter-entity law enforcement operations, a distant, but essential goal.

Bulgaria

I. Summary

Centrally located on Balkan routes leading through Romania or Serbia, Bulgaria is an important transit route between Turkey and Western Europe for Southwest Asian heroin and Southeast Asian marijuana. Authorities

have also seized maritime deliveries of South American cocaine. Although Bulgaria is not a major transit country for drugs coming to the United States, it remains a country of concern to the U.S.

In total, Bulgaria's seizures in 2000 are comparable to those in the rest of Europe combined, and represent a major increase over previous years. Bulgaria is a party to the 1988 UN Drug Convention. The Government of Bulgaria (GOB) seeks to expand and enhance regional and international counternarcotics cooperation, and requires schools to offer a demand reduction program. Law enforcement authorities cooperate actively with U.S. and third country counterparts, both bilaterally and multilaterally, on counternarcotics case and issues. Narcotics use is a relatively small, but growing problem.

II. Status of Country

Bulgaria is a significant drug-transit country centrally located on three traditional Balkan routes between Turkey and, respectively, Serbia, Romania, and the former Yugoslav Republic of Macedonia. Small quantities of opium poppies and cannabis are grown in Bulgaria. Clandestine labs produce amphetamines and diverted acetic anhydride is transported from Bulgaria to Turkey.

Combating administrative corruption and organized crime are policy priorities for the Bulgarian government. The President, in office since January 1997, supports these priorities. The GOB has at its disposal potentially wide-reaching new anticrime legislation, including a 1998 money laundering law which authorities are working to implement, and which some in the government have suggested might be usefully updated and strengthened. As a result of late 1998 legislation which took full effect on January 1, 2000, the magistracy's investigative functions have been restructured. The government has provided extensive training to police investigators and others given greater responsibilities by these structural changes. The Prosecutor General, in office since January 1999, continues to seek ways to ensure a more effective prosecutorial assault on crime, including narcotics trafficking.

III. Country Actions Against Drugs

Policy Initiatives. National strategy against narcotics is coordinated by an inter-ministerial body composed of ministers or deputy ministers from 17 ministries and agencies. This council has designated the National Service for Combating Organized Crime (NSBOP) as the national focal point to gather and analyze information from all agencies. NSBOP continues to develop its new Center for Narcotics Data Coordination, with five analysts and four technical experts. It plans to open linked centers in major population centers, beginning with Plovdiv and Varna, and will provide additional training for its analysts with funding from the EU's PHARE and UNDCP multi-country drugs project.

Accomplishments. GOB narcotics seizures during 2000 were significant, both in the numbers of seizures and in the quantities of illicit drugs seized. NSBOP believes its seizures during 2000 were even more significant since they involved highly-placed or centrally-placed individuals in the narcotics distribution system. NSBOP also has pointed to greater coordination within the government, included with the Customs Agency and other divisions of the Ministry of Finance. Additional GOB accomplishments in 2000 included increasingly focused application of the money-laundering law in conformity with international standards, and productive use of assistance from PHARE and other western sources.

Law Enforcement Efforts. A 1999 Drugs and Precursors Law provided a legislative framework for GOB antinarcotics strategy, and law enforcement agencies, primarily NSBOP, attempted in 2000 to carry out this strategy with a team approach in which analysts developed expertise in specialized fields, then coordinated information. The new Narcotics Information Center coordinates data from internal sources, from Interpol, and from Romania and Macedonia, and will be expanded to include data from the region as a whole. The Customs Agency used newly improved methods and training to discover and seize large amounts of narcotics during 2000.

Current statistics were compiled from data provided by the Interior Ministry's National Service for Combating Organized Crime and by the Finance Ministry's Customs Agency (renamed in 2000 formerly the General Customs Directorate). In 2000, there was a significant increase in the total number of drug seizures at border check points. Specifically, in 2000, there were 80 drug seizures at border check points compared to 31 and 35 seizures in 1999 and 1998, respectively. However, there is an increase in the number of drug users in Bulgaria, estimated at 44-48,000, up from 25-30,000 in 1998. Also, five illicit drug laboratories were destroyed in 2000.

Corruption. There have been significant improvements under the current government, but corruption, including allegedly among police and especially Customs officials, continued in 2000 to be an important political topic in Bulgaria and could figure largely in the scheduled 2001 elections. The U.S. has no specific information that any senior GOB official has been involved in drug trafficking or other narcotics-related crimes. The government, in place since May 1997, has made the fight against organized crime and corruption a major priority, and has pressed forward with an extensive legislative reform effort to strengthen anticrime laws.

Agreements and Treaties. Bulgaria is a party to the 1988 UN Drug Convention, the 1961 Single Convention and its 1972 Protocol, the 1971 Convention on Psychotropic Substances, and the 1990 Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime. Bulgaria signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

The 1924 U.S./Bulgarian Extradition Treaty and a 1934 supplementary treaty are in force and in use, although there have been some difficulties in implementation. For example, a Bulgarian court in 2000 released a narcotics trafficker whose provisional arrest and extradition the U.S. had requested. Consultations are anticipated in 2001 regarding Bulgarian implementation of the treaty. Bulgaria is also party to the 1957 Council of Europe Convention on Extradition, the 1959 European Mutual Legal Assistance Treaty in Penal Measures, and the 1983 Council of Europe Convention on Transfer of Sentenced Persons. It also has a bilateral treaty with Turkey for transfer of convicted persons. The Bulgarian Customs Agency has memoranda of understanding on mutual assistance and cooperation with several European counterparts and is negotiating or updating others. The U.S. and Bulgaria signed a cooperation agreement in 2000. The GOB coordinates with INTERPOL and EUROPOL.

International Cooperation. Bulgarian and U.S. law enforcement agencies work well together in counternarcotics investigative efforts and in information sharing. Information on criminal investigations subsequent to arrest is held in secret, but is releasable to foreign law enforcement agencies at the discretion of the Prosecutor's office.

Bulgaria has signed and ratified the 1988 UN Drug Convention and is a signatory to the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime. International agreements enter automatically into Bulgarian law. The Bulgarian government cooperates closely in providing timely information and evidence, but it has not adopted specific laws or regulations to ensure availability of narcotics investigations records to appropriate USG and other government personnel.

The GOB has no bilateral agreements with other countries on money laundering. It is a party to the 1988 UN Drug Convention, and is building its antinarcotics units to more effectively combat the problem. It works with INTERPOL and is trying to expand and extend other forms of international cooperation, including especially with the EU. It is set to play an active, indeed leading role in South European Cooperation Initiative (SECI) anticrime efforts.

Cultivation and Production. Law enforcement officials do not routinely calculate crop size or yields for illegal narcotics crops. When necessary, case-specific determinations are made based on the weight of dry leaves yielded from one square meter times the dimensions of the field. In general, yield calculations for illegal narcotics crops are difficult, since it is not unusual, for example, to find cannabis hidden in a cornfield.

Drug Flow/Transit. Heroin from the Golden Crescent and Southwest Asian sources (e.g., Afghanistan) is the main illegal drug transiting Bulgaria, though some marijuana and cocaine also transits. The northern Balkan route from Turkey through Bulgaria to Romania is the most frequently used overland route; there are others through Serbia and the former Yugoslav Republic of Macedonia. In previous years, GOB officials noted the transiting of apparently increasing amounts of Brazilian cocaine. The precursor chemical acetic anhydride, possibly produced in Bulgaria or coming from Macedonia, is transported from/through Bulgaria to Turkey.

Domestic Programs (Demand Reduction). Bulgaria's drug abuse problem is small but growing. Experts estimate that in this country of some eight million, there are up to 50,000 heroin users, fewer than 10 percent of whom are in treatment. Cocaine is too expensive for all but the wealthy. Marijuana has traditionally been used in rural areas. Ecstasy is an important and growing problem among university students. As in previous years, drug consumption is particularly worthy of note among marginalized Roma, among whom glue sniffing is a serious problem. There is also drug abuse in prisons, in some localized geographic areas, and among traffickers. Demand reduction has received government attention for several years. The Ministry of Education requires that schools nationwide teach health promotion modules on substance abuse. There is also a World Health Organization program for health promotion in 30 target schools. The Bulgarian National Center for Addictions provides training seminars on drug abuse for schoolteachers nationwide. There are also municipal demand reduction programs co-sponsored by the National Center for Addictions and the Institute of Public Health in six major cities and a number of smaller communities. Three universities provide professional training in drug prevention.

For drug treatment, there are 35 outpatient units and 10–12 inpatient facilities nationwide. The National Center for Addictions has psychiatric units in 20 regional centers. Specialized professional training in drug treatment and demand reduction has been provided through programs sponsored by UNDCP (funded by the U.S. State Department and the Government of Italy), EU/PHARE, and the Council of Europe's Pampidou Group.

IV. U.S. Policy Initiatives and Strategies

The U.S. promotes increased attention to the problems of narcotics trafficking and money laundering, assists Bulgarian law enforcement and anticrime legislative reform efforts with training, advisory assistance and some

equipment, and encourages further cooperation between Bulgarian and U.S. law enforcement agencies, including the DEA, FBI, and Customs. In late 2000, the Department of Justice sent a regional legal advisor, who will set up a permanent office in Sofia in early 2001 to work with the GOB on law enforcement issues including drugs. Likewise, a Department of Justice/Central and East European Legal Initiative advisor was appointed to consult with and advise Bulgarian prosecutors and investigators. USAID's assistance to the training of magistrates, to date primarily judges, also serves to reinforce the GOB's antinarcotics effort.

Bilateral Cooperation. Bilateral cooperation between U.S. and Bulgarian law enforcement officials is excellent, with regular and close consultation between the GOB and DEA. U.S. bilateral assistance has focused on ILEA mid-level training and periodic FBI training. Through this INL-funded program, the USG has also provided advisory assistance to the GOB in the drafting of money laundering legislation and reform of the penal code and procedural penal code.

The Road Ahead. With new Department of Justice advisors funded by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), the continuation of USAID assistance to magisterial training, and U.S. Embassy training and equipment aid to Bulgarian law enforcement agencies in the pipeline, 2000 was a promising year for USG aid to the GOB. In 2001, the U.S. will use this assistance and will continue to encourage the GOB in antidrug efforts, combating money laundering, drafting and implementing anticrime legislative reforms, and continuing mutual cooperation with U.S. law enforcement. It will work with the GOB to identify further law enforcement training, advisory and equipment needs, and seek funding to meet those needs. The U.S. encourages the GOB to exchange counternarcotics information with other states in the region. The U.S. will also promote counternarcotics cooperation with regional and Western European assistance and UNDCP support for Bulgarian law enforcement authorities.

Croatia

I. Summary

Croatia is not a major producer of narcotics. However, smugglers—driven to other routes in the early 1990s by war and instability—once again are using Croatia as part of the Balkans transshipment route of narcotics, particularly heroin, to Western Europe. Organized crime elements in Albania control heroin trafficking into Croatia. Cocaine also transits Croatia, entering frequently at the port of Rijeka. There have been some large cocaine seizures in Croatia. Although Croatia is not a major transit country for drugs entering the United States, it remains a country of concern to the U.S. During 2000, no new antinarcotics laws were passed, although the government is considering new legislation to increase its capacity to fight organized crime and corruption and to strengthen the interdiction powers of the customs directorate. In 2000, Croatia joined the Southeast European Cooperation Initiative's regional center for combating transborder crime.

The Ministry of Interior is the government ministry most directly involved in antinarcotics activities. Croatia's national narcotics strategy focuses on reducing domestic availability and demand for narcotics and curtailing Croatia's use as a transshipment point. Croatia generally has strong cooperation with its neighbors to disrupt drug trafficking. Croatia is a party to the 1988 UN Drug Convention.

II. Status of Country

Croatia, with a geographic position along the most direct route to Europe from Asia and limited resources for securing its extensive coast and borders, offers significant possibilities for transshipping narcotics. The Balkans route crossed Croatian territory prior to the break-up of Yugoslavia, although that traffic was substantially displaced to neighboring states (for example, the Czech Republic and Hungary) during the turmoil following the break-up of Yugoslavia. The government of Croatia detects an increased use of Croatia as a transshipment center corresponding to the increase in stability in the region.

Domestic narcotics abuse remains a priority area of attention, a problem that has mildly worsened during 2000. In particular, police are concerned about an increase in overdose deaths as well as a surge in amphetamine and ecstasy among the nation's youth.

III. Country Action Against Drugs in 2000

Policy Initiatives. Croatia continues to pursue its national strategy for combating abuse of narcotics. This initiative included implementation of measures to reduce both supply and demand. The Interior Ministry, Justice Ministry, and Customs Directorate have primary responsibility for law enforcement issues, while the Ministry of Health has primary responsibility for the strategy to reduce and treat drug abuse. The Interior Ministry's antinarcotics division is responsible for coordinating the work of drug units in police departments throughout the country. The Interior Ministry maintains cooperative relationships with INTERPOL, neighboring states as well as with counterparts in Germany and the United States.

Law Enforcement Efforts. During the first ten months of 2000, police made 5,532 seizures of narcotics and 6,132 persons had drug-related criminal charges filed against them. The number of criminal acts represents

approximately a ten percent increase over 1999. Seized drugs include: 6.2 kilograms of heroin, one kilogram of hashish, 390 kilograms of marijuana, 930 kilograms of cocaine, 9,100 ecstasy pills and two kilograms of amphetamines. Croatian officials believe that the vast majority of seized cocaine was destined for European markets, largely because cocaine is prohibitively expensive for most citizens of Croatia. It represents only seven to eight percent of total drugs consumed in the Croatian market.

Croatian officials estimate that there are between 10,000 to 15,000 heroin addicts, consuming between 400 to 500 kilograms of heroin annually. On average, approximately 1,400 Croatians become addicted to heroin every year, although the rate of growth is slowing and the average age of addicts is increasing, suggesting that demand for heroin may have peaked.

Corruption. Croatian Interior Ministry officials maintain that corruption is not an endemic problem. Throughout 2000, however, there continued to be allegations of narcotics-related corruption and narcotrafficking involving the then-ruling HDZ party, elements of the Croatian intelligence and military and Bosnian Mafia groups. These allegations have not been substantiated.

Agreements and Treaties. In 2000, Croatia entered the Southeast European Cooperative Initiative's (SECI) agreement to prevent and combat transborder crime. Croatia is a party to the 1988 UN drug convention, the 1961 UN Single Convention and its 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. Extradition between Croatia and the United States is governed by a 1902 extradition treaty between the U.S. and Yugoslavia, which remained in force after Croatian independence. According to the Croatian constitution, Croatian citizens may not be extradited with the exception of extradition to the International War Crimes Tribunal in the Hague. Croatia signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

The Croatian government is drafting a new narcotics law that will enhance its ability to prosecute those suspected of trafficking in precursor chemicals. Pending passage of the law, the government uses its adherence to the 1988 UN Drug Convention as the basis for prosecuting precursor trafficking. The GOC also is preparing new legislation to strengthen undercover activities against the drug trade as well as new measures to enhance its ability to fight organized crime.

Cultivation/Production. The Interior Ministry continues a program to identify areas of marijuana cultivation. The ministry assesses that small-scale marijuana production (less than 15,000 plants) for domestic sale and use is the only narcotics production within Croatia.

Demand Reduction. 40,000 young people use drugs regularly, and between 10,000-20,000 are addicts, according to Croatian authorities. The GOC continues to follow its 1998 national strategy on demand reduction. The Ministry of Health, with limited resources, has implemented demand reduction programs. The Ministry of Education requires drug education in primary and secondary schools. The state-run medical system offers treatment programs for addicts. The GOC attempts to use high-profile events, such as the destruction of over 900 kilograms of seized cocaine to raise awareness of the dangers of narcotics trafficking and the role of law enforcement.

Most demand reduction initiatives, however, are locally driven and are financed from the local budgets. These local programs encompass everything from prevention of drug abuse to rehabilitation and re-socialization of the addicts. The GOC does not maintain a comprehensive list of institutions dealing with demand reduction. After much debate, the GOC rejected a proposal to decriminalize possession of marijuana for personal use.

IV. U.S. Policy Initiatives and Programs

Croatia's democratic transition in early 2000 opened new opportunities for cooperation and assistance on rule-of-law and law enforcement cooperation issues that the U.S. is actively pursuing. The Interior Ministry and U.S. law enforcement agencies enjoyed strong cooperation at the operational level. In addition, the United States is providing technical assistance to the Croatian Customs Directorate as part of a World Bank-funded effort trade facilitation project that would, inter alia, improve the capabilities of Croatian customs to profile suspicious shipments, interdict drug shipments and curb corruption.

Cyprus

I. Summary

Cyprus is not a producer of significant amounts of narcotics. There is increasing concern about a perceived increase in drug use among the population, but the Government of Cyprus (GOC) traditionally has low tolerance for any narcotics use and continues its public affairs campaign to remind Cypriots that narcotics use carries heavy penalties. As a result of its large offshore banking sector, Cyprus remains vulnerable to money laundering. Cyprus is a party to the 1988 UN Drug Convention.

II. Status of the Country

Cyprus has a small, but growing population of soft-core drug users. Hashish is the most commonly encountered drug, followed by heroin, cocaine, and ecstasy, all of which are available in most major towns. Users consist primarily of young people and tourists. Cypriot law carries a maximum prison term of one year for drug users under 25 years of age with no police record. While there is no indication of illicit drug or precursor chemical trafficking, the island's highly developed business, modern telecommunications system, fifth largest merchant shipping fleet in the world, and the free-port status of its two main seaports make Cyprus an ideal location for such activity. Still low by international standards, drug-related crime has been steadily rising since the 1980's.

III. Country Action Against Drugs in 2000

Policy Initiatives. During 2000, the GOC continued its efforts against money laundering, as outlined in the subject chapter of this report. It followed a low tolerance policy on drug use in the country.

Accomplishments. These are mostly in the money laundering area, which are found in the subject chapter of this report.

Law Enforcement Efforts. Although no statistics are available, Cyprus aggressively pursues drug seizures, arrests, and prosecutions for drug violations. Cypriot police are generally effective in their law enforcement efforts; their techniques and capacity remain restricted by a shortage of financial resources.

International enforcement cooperation is limited somewhat by the political division of the island into the internationally recognized Republic of Cyprus and the "Turkish Republic of Northern Cyprus (TRNC)." Turkish Cypriots have their own law enforcement organization responsible for the investigation of all narcotics-related matters. There continues to be strong evidence of a growing trade in narcotics between the "TRNC" and Turkey and Britain, as well as significant money laundering activities. There is also some evidence of smuggling of narcotics from the "TRNC" to southern Cyprus.

Corruption. There is no evidence of senior or other officials facilitating the production, processing, or shipment of drugs.

Agreements and Treaties. Cyprus is a party to the 1988 UN Drug Convention and the 1995 European "Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime." During 2000, Cyprus ratified the European "Convention on the Transfer of Proceedings in Criminal Matters" and the European "Convention on Mutual Assistance in Criminal Matters." A new extradition treaty between the U.S. and Cyprus went into effect in September 1999. A mutual legal assistance treaty, signed by the GOC and USG in December 1999 awaits ratification by the U.S. Senate and the GOC.

Cultivation/Production. The only illicitly cultivated controlled substance in Cyprus is cannabis, and this is grown only in small quantities for local consumption. The Cypriot authorities vigorously pursue this illegal cultivation.

Drug Flow/Transit. There is no indication that Cyprus is used as a significant transit route for illicit narcotics. Law enforcement efforts have mostly converted Cyprus from a drug transit point to a "broker point," in which dealers meet potential buyers and negotiate the purchase and shipment of future shipments. This change is likely also as a result of improved conditions in Lebanon. Lebanese containerized freight now moves directly to third countries without transiting Cyprus.

Domestic Programs/Demand Reduction. While drug use remains relatively low in Cyprus, recent increases have prompted the government to actively promote demand reduction programs through the school system and social organizations, occasionally with DEA-Nicosia participation. Drug treatment is available.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Combating money laundering in Cyprus continues to be one of the highest priorities of the USG's policy towards Cyprus.

Bilateral Cooperation. Bilateral cooperation between the USG and GOC in law enforcement efforts has been excellent, as has GOC bilateral cooperation with neighboring countries.

The Road Ahead. The USG seeks closer cooperation from the Office of the Attorney General, the Central Bank, the Cyprus Police and the Customs Authority officials in drug enforcement and anti-money laundering efforts. The USG will work with the GOC to heighten its enforcement of its laws.

Czech Republic

I. Summary

The Czech Republic is both a transshipment and destination country for illegal narcotics. Limited amounts of pervitine are also produced in country. Continuing a trend cited in last year's report, Czech antidrug policy

emphasizes interdiction and criminal penalties against both narcotics traffickers and, to a lesser extent, users. Czech cooperation with U.S., European and other international law enforcement efforts remains excellent. The Czech Republic is a party to the 1988 UN Drug Convention.

II. Status of Country

Heroin from the south (mostly Turkey, moving north via the Balkans) continues to transit the Czech Republic en route to Northern and Western Europe. Czech authorities attribute much of this activity to Kosovar Albanian organized crime gangs, some of which maintain warehouse operations in the Czech Republic. Some heroin is also sold in the Czech Republic. Cocaine and West African marijuana also reach the Czech Republic, mostly in transit to Northern and Western Europe. While cocaine tends to be too expensive for the average Czech, some is sold to Western tourists. Marijuana is the drug of choice for younger Czechs. The use of ecstasy is reportedly also increasing, particularly among Czech University students. Some pervitine is produced in the Czech Republic, primarily for local consumption (although some is now being exported to nearby countries, e.g., Germany and Poland).

Recognizing that money laundering had become a problem, the Czech government took steps in 1999 and 2000 to clamp down on illegal financial transactions. On August 1, 2000, for example, a law prohibiting new anonymous accounts went into effect. As part of their drive toward European Union (EU) membership, the Czechs have also been engaged in legal and judicial reform efforts aimed at fighting major economic and financial crimes and public corruption.

III. Country Actions Against Drugs

Policy Initiatives. In October 2000 the Czech government approved a "National Drug Strategy, 2001–2004," which will guide Czech antinarcotics efforts in the coming years. At the same time, the Czech government approved a new "Strategy for the Fight Against Organized Crime," which includes several antinarcotics components.

Another significant new policy initiative (announced in November 2000) was to give the Czech National Antidrug Center (NADC) greater autonomy. Effective January 1, 2001, the NADC will report directly to the Minister of Interior.

Law Enforcement Efforts. The Czech National Antidrug Center (also known as the Antidrug Police) and a special Czech Custom's unit which focuses on narcotics and weapons smuggling have the lead in most major antinarcotics cases. Both are considered elite law enforcement units. Two other special police units, the Anticorruption Squad (SPOK) and the Anti-Organized Crime Police (UOOZ), sometimes handle cases which involve narcotics (e.g., UOOZ might discover an organized crime gang engaged in a combination of prostitution and drug-smuggling operations), but tend to turn purely narcotics cases over to the NADC. Despite budgetary problems, all of these units appear to work hard, take their antinarcotics responsibilities seriously and cooperate effectively on drug cases.

Corruption. We are unaware of any new cases of drug-related police or public corruption having been exposed during 2000. The antidrug police, in particular, pride themselves on their integrity. The government's "Clean Hands" anticorruption campaign has sought to identify and prosecute both public officials and business executives engaged in illegal financial dealings (including money laundering), but has not reported any narcotics-related cases.

Agreements and Treaties. The Czech Republic has upheld its responsibilities as a party to the 1988 UN Drug Convention and the World Customs Organization's Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offenses. Antinarcotics cooperation with the U.S. is excellent, both in agency-to-agency terms and within the framework of the U.S.-Czech Mutual Legal Assistance Treaty and the U.S.-Czech Customs Mutual Assistance Agreement. The Czechs also cooperate closely and effectively with several of their European partners. Germany, France, Switzerland, and the Nordic states have antinarcotics liaison officers attached to their embassies in Prague. The Czech Republic signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation/Production. Marijuana production is negligible and apparently for personal uses only. The Ministry of Agriculture monitors the cultivation and marketing of opium poppies grown for the poppy seeds used in traditional Czech cuisine. Production in 2000 should remain consistent with non-illicit domestic use.

Pervitine (a Czech-produced methamphetamine) is the second-most popular drug (after marijuana) in the Czech Republic. Traditionally, pervitine is produced in small labs in private homes, with production aimed at domestic users. Official reports suggest some Czech-produced pervitine is being exported to neighboring states (specifically, Germany and Poland).

Drug Flow/Transit. According to a recent report by the Mini-Dublin Group, there are some indications (based on seizure data) that the transit of cocaine and ecstasy through the Czech Republic is increasing. Czech police

are also concerned about the role of organized crime (particularly groups from Kosovo, Nigeria, Vietnam and the CIS-states) in the trade and trafficking of marijuana and heroin. Amphetamines produced in Poland and Slovakia reportedly transit the Czech Republic en route north and west.

Domestic Programs/Demand Reduction. There are approximately 16,000 Czech drug addicts. Czech schools engage in various antidrug education programs, but their effectiveness is difficult to gauge. The U.S. has funded some efforts to train teachers in demand reduction methods. The Czech government also maintains a network of counseling and health centers available to drug users seeking drop-by or continuing treatment. For heroin addicts both methadone therapy and needle-exchange programs are available. Health experts believe the needle-exchange program has greatly limited the spread of HIV/AIDS among IV drug users.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. goals and objectives in the Czech Republic include bolstering Czech law enforcement (including antinarcotics) capabilities, maintaining effective links between U.S. law enforcement agencies and their Czech counterparts, supporting Czech anti-money laundering efforts, and promoting drug abuse awareness.

Bilateral Cooperation. In recent years, the U.S. has provided a number of training opportunities for Czech police, customs officers, prosecutors and judicial officials. This training has included, inter alia, antidrug and anticorruption components. Moreover, DEA maintains an extremely active cooperative relationship with the Czech Antidrug police, and U.S. Customs Service agents work effectively with their Czech counterparts. The U.S. has also helped fund a teacher-training program aimed at demand reduction.

The Road Ahead. The U.S. will continue to cooperate very closely with Czech government and police officials in their antinarcotics efforts. Czech NADC officers and U.S. DEA agents will remain in close contact both on specific cases and in broader counternarcotics program. The U.S. will work to identify resources to continue to provide various training programs for Czech police, investigators, prosecutors and judges to complement our goals of improving law enforcement effectiveness and assisting in Czech anticorruption efforts.

Denmark

I. Summary

Denmark's strategic geographic location and status as Northern Europe's primary transportation point make it an attractive drug transit country. The Danes cooperate closely with their Scandinavian neighbors and the EU against the transit of illicit drugs, and Denmark plays an increasingly important role in helping the Baltic States combat narcotics trafficking. While quantities of drugs seized in Denmark are relatively small, Danish authorities assume that their open border agreements and high volume of international trade allow some drug shipments to transit Denmark undetected. Danish authorities report a dramatic increase in the use of ecstasy and amphetamines in 2000, especially among younger Danes, although the figures on seizures do not reflect this increase. Denmark is a party to the 1988 UN Drug Convention.

II. Status of Country

Drug traffickers use Denmark's excellent transportation network to bring illicit drugs to Denmark for domestic use and for transshipment to other Nordic countries. Evidence suggests that drugs from Russia, the Baltic countries, and central Europe pass through Denmark en route to other EU states and the U.S. The amount flowing to the U.S. is relatively small and is not in an amount sufficient to have a significant effect on the U.S. Seizures of all drugs except amphetamines are significantly lower than last year. Police in the region report this is due to a change in the trafficking routes used by drug traffickers.

III. Country Action Against Drugs in 2000

Policy Initiatives. Denmark continues to provide training, financing, and coordination assistance to the three Baltic countries (Estonia, Latvia, and Lithuania), principally to improve interdiction efforts. Denmark, Sweden, and Norway have each stationed a Nordic liaison officer in one of the Baltic countries through their Politi Told Nordic (PTN - Nordic Police Customs) agreement. Denmark's officer is stationed in Lithuania.

Accomplishments. Danish police continued their aggressive counternarcotics efforts in 2000. Because of public outcry over the release of arrested drug dealers in 1996, many of whom were foreigners, Danish law was amended to make it easier to place drug dealers behind bars and to expel foreign dealers who reside illegally in Denmark. Danish authorities view narcotics-related money laundering as a manageable problem despite Denmark's role as a major financial center.

Danish law permits forfeiture and seizure of assets in drug-related criminal cases. Authorities strongly uphold existing asset seizure and forfeiture law and cooperate with foreign authorities in such cases. There were no significant seizures of assets in 2000. In 1998, U.S. authorities criticized Danish customs for lax enforcement on exports of precursor chemicals to Latin America. Since then, the Danes have been very responsive and

proactive on monitoring exports.

Law Enforcement Efforts. Seizures for all types of drugs except amphetamines were down in 2000, reflecting increasingly effective narcotics control efforts and changes in trafficking routes. Through December 2000, Denmark confiscated 18.6 kilograms of cocaine (down from 24.2), 20.7 kilograms of heroin (down from 96), 1,697 kilograms of hashish and marijuana (down from 14,051), and 18,538 MDMA tablets down from 26,117.) Figures used here for 1999 include a few more months data than those used in last year's report. (The decline in seizures of hashish and marijuana is not as dramatic as it appears as the large numbers in 1999 were due to a single 12-ton seizure aboard the M/V Kvedara.) Amphetamine were the only drugs that saw an increase in seizures – from 31.6 kilograms in 1999 to 42.9 kilograms in 2000. In April, authorities seized eight kilograms of cocaine off of a charter flight from Venezuela at the international airport in Bilund. Local gangs had discovered that there were no customs checks, not even drug-sniffing dogs, at this airport. In a related operation, in August authorities arrested a large number of Danish drug traffickers, along with Bandido and Hell's Angels gang members. One group of traffickers had enlisted the Bandidos as bodyguards and distributors and the other group had enlisted the Hell's Angels. This multi-ton hashish trafficking operation made Danish authorities aware that Danes, and not foreigners as previously believed, conduct much of the drug trafficking in Denmark.

Denmark continues to bolster the interdiction capabilities of the Baltic States. One of the bases of operations is on the Baltic island of Bornholm, Denmark's easternmost territory, where a continuing project involving the customs services and police, in cooperation with the Danish Navy, works to interdict narcotics, other smuggled contraband and illegal migrants.

Corruption. The U.S. has no knowledge of any involvement by Danish government officials in drug production or sale, or other drug-related corruption. Danish laws regarding public corruption in general are sufficiently stringent that there are no laws specifically targeting narcotics-related corruption.

Agreements and Treaties. Denmark complies with the requirements of all major international conventions and agreements regarding narcotics to which it is party. Denmark also contributes toward the development of common counternarcotics standards within the international organizations of which it is a member. Denmark ratified the 1988 UN Drug Convention in 1991 and signed the enabling legislation for the European Drugs Unit, now Europol, in 1997. Denmark signed the UN Convention Against Transnational Crime and its protocols in December 2000. The U.S. has signed a Customs Mutual Assistance Agreement (CMAA) and an Extradition Treaty with Denmark. Denmark participates in the Dublin Narcotics Assistance Coordinating Group and EU meetings on related topics.

Cultivation/Production. There is no substantial cultivation or production in Denmark.

Drug Flow/Transit. According to law enforcement officials in Denmark, drugs transit Denmark on their way to neighboring European nations and, to a lesser extent, to the U.S. There is no evidence that drugs entering the U.S. from Denmark are in an amount sufficient to have a significant effect on the U.S. The ability of the Danish authorities to interdict this flow is slightly hampered by Denmark's membership in the EU and the resultant open border policies.

Domestic Programs/Demand Reduction. Denmark's Ministry of Health estimates that there are between 10,000 and 12,000 drug users in Denmark, which includes only those people who are officially registered as addicts with the government and enrolled in government programs. The country maintains an extensive counternarcotics education program in schools and youth centers. Drug addicts are treated in a large number of institutions throughout Denmark. In addition to in-patient care at hospitals, out-patient care is available at hospitals, youth crisis centers, and special out-patient clinics. These programs are free of charge to Danish residents. In 1996, the government began funding programs that involve the treatment of addicts through a medically supervised reduction program as an alternative to serving prison sentences. The debate on a proposal to permit doctors to supply some addicts with heroin continues, but support is waning.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. enjoys excellent cooperation with its Danish counterparts on drug-related issues and in assisting in joint investigations.

The Road Ahead. In the coming year, the Danish authorities hope to increase their seizures of ecstasy tablets within Denmark and work closely with the Norwegian authorities in interdicting drugs. The Danes will also continue to build on the PTN agreement with their Nordic neighbors to increase information sharing and cooperation against narcotics trafficking. The U.S. will continue its liaison with Danish authorities and work to deepen its regional cooperation against illicit drug trafficking.

Estonia

I. Summary

This increase in drug use and transit through Estonia has been met by an increased response from law enforcement authorities. The arrest of Estonian drug traffickers in neighboring countries and domestically, as well as the destruction of several domestic drug labs, demonstrates Estonia's involvement in the international narcotics trade. Nevertheless, by international standards, Estonia's narcotics problem is not grave. Estonia joined the international community and ratified the 1988 UN Drug Convention in May of 2000.

II. Status Of Country

Estonia's geographical position, on the edge of the Baltic Sea linking Europe and Russia, makes transportation of persons and goods and tourism the country's leading economic sectors. Tourism and soft border controls between EU members has resulted in relatively safe transit routes for heroin, amphetamine and cannabis products from the Netherlands, Belgium, and the Scandinavian countries to Estonia.

There is a growing demand for illicit narcotics. A recent survey shows that the number of 15–16 year old students who admit having tried illegal drugs at least once has increased by a factor of seventeen in the last four years (from 0.4 percent to 7 percent). However, compared with the situation in other countries, Estonia's narcotics problem is not serious. The estimated drug abusers in the country number only about 20,000 out of a population of 1.4 million.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Minister of Internal Affairs has recently stated that the national criminal code, addressing drug-related crimes, must be made stronger. Domestically, the law on narcotics and psychotropic substance provides a legal basis for controlling drugs, their precursor chemicals, the trafficking of drugs, and also addresses treatment and rehabilitation of drug abusers. The most severe punishments are reserved for those engaged in the sale and trafficking of narcotics, rather than to users. Although the Government of Estonia (GOE) has declared narcotics control to be a priority, the domestic demand for hard drugs and an upsurge of HIV virus-infected drug users in the northeast border area illustrate the limited effects of the GOE's counternarcotics efforts.

Law Enforcement Efforts. According to the GOE's 1997–2001 police program, the prevention of drug addiction and narcotics-related crime is one of Estonia's top priorities. As a direct consequence, the Counternarcotics Office of Central Criminal Police was established to coordinate the Estonian police and their efforts. Fifty-seven full-time counter narcotics officers are assigned to the Tallinn-based central criminal police bureau, up from 45 in 1999.

In addition, one police officer in each police prefecture has been assigned responsibility for drug matters. In Tallinn a special counternarcotics team, accompanied by drug-sniffing dogs, regularly patrols the streets, high-crime areas and youth nightspots. Two additional counterdrug offices have been established, one in Tartu the country's second largest city in southern Estonia and the other in Narva a northeastern city considered the most problematic after Tallinn and predominately populated by a Russian speaking minority.

A separate counternarcotics unit functions under the national customs board. The primary task of the unit is to detect and prevent the smuggling of drugs in the areas along the border between control points. Nine border guards have been trained to work full-time with drug-detecting dogs that work at the border. Similarly to Estonian police, each customs region – five in total – has one or two customs officers whose responsibilities include drug matters as a top priority. The Estonian customs board and private forwarding companies continue to implement a cooperation agreement to impede expanding drug trafficking into and transit through Estonia.

During the first nine months of the year 2000, 987 drug-related crimes (a 19.4 percent increase over the same period last year) and 1,559 civil offenses, such as possession of drugs in small amounts, were registered. Six production sites (three active, three abandoned) were discovered and shut down, compared with two in 1999. The Central Criminal Police, through long-term surveillance efforts, confiscated about ten kilograms of newly made Amphetamine and 100 liters of precursors, the largest seizure ever made by the Estonian police. The GOE is quick to point out that the sharp rise is due not only to expanding drug abuse, but also to the increasing expertise of law enforcement agencies, especially of the Estonian police.

Corruption. The drop in real wages has led to circumstantial corruption. The relatively large number of police seizures and closing of drug labs, is an example of how highly-educated chemists who have access to good lab equipment but are being paid low salaries are forced to find alternate means of income.

Treaties and Agreements. Estonia continues to meet the requirements of the three United Nations drug conventions. In May 2000, the Estonian parliament ratified the UN 1988 Drug Convention. Estonia also is a party to the 1961 UN Single Convention and its 1972 Protocol, as well as the 1971 UN Convention on Psychotropic Substances. Estonia signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation and Production. According to the central criminal police, 50 percent of the Amphetamine

consumed in Estonia are produced locally. Ecstasy has also been produced in Estonia. Addicts convert opium poppy straw into an injectable acetylated opium solution also known as "Polish kompot" or "liquid heroin." This solution has been produced in crude "kitchen labs," a process that requires precursor chemicals much the same as those used in the conversion of opium to heroin. While the cold weather precludes Estonia from becoming an important source of narcotics crops, small amounts of opium poppies and cannabis have been reportedly cultivated. Countryside communities with small populations make it easy to keep these so-called "narco-farms" hidden.

Drug Flow and Transit. According to the counternarcotics department of Estonia's central criminal police, there is not one established drug trafficking route through Estonia. The spread of high technology Internet and cellular phones, especially with the new untraceable phone-cards available at any kiosk, has resulted in an increase in street trade and sales of narcotics. Traffickers take advantage of the frequent passenger ferries from Finland and Sweden, that unload thousands of European tourists at the port's border control stations, making it difficult for law enforcement agencies to adequately check parcels. Small boats and freight vehicles are also being used for drug trafficking. Estonian dealers and traffickers have established direct contacts with cocaine sources in Latin America, including Colombia and Venezuela. Amphetamine, other stimulants and precursors are reportedly imported from Russia and other Former Soviet countries. The import of precursor chemicals in particular has raised more concerns because of the difficulty of identifying them as such at the border. Recently, narcotics police seized LSD-laced stamps originating in Latvia. This is three times more than the total of the recent years.

Demand Reduction. Amphetamine, hashish, and acetylated opium products remain the most widely abused drugs in Estonia. Police officials identify the increased use of Ecstasy by young people as one of their most pressing concerns. Ecstasy is available for purchase in almost every bar and nightclub in Tallinn and has become the drug of choice in the 15 to 25 year old group. Drug-related topics are a compulsory health education subject of Estonia's basic and secondary education state study program. Estonian NGO's and youth organizations are actively participating in counternarcotics efforts with a series of antidrug advertising campaigns, educational exhibitions, lectures and video seminars designed both for students and teachers. On the initiative of the Tallinn City Government, Estonia joined the international youth organization "path", and the young people's leisure-time project, fully financed by Estonian businesses, corporations, and the Tallinn City Government.

IV. U.S. Policy Initiatives and Programs

The U.S. pursued few policy initiatives and programs during 2000. A one-week drug enforcement operation-training seminar was provided for the Estonian law enforcement community. And, a demand reduction summer camp, focused on adolescents and teenagers, which sent a strong antidrug message. In 2001, the U.S. intends to offer Estonia additional bilateral training dealing with drug enforcement and organized and financial crimes.

Finland

I. Summary

Finland is not a significant narcotics producing or trafficking country. However, drug abuse increased steadily during the 1990s and into 2000, and drug-related crimes have increased four and a half times from 1990 to 2000. The police attribute the increased drug use to the wider availability of narcotics in post-Cold War Europe; greater experimentation by Finnish youth; and a continuing gap between police resources and incidents of drug abuse. One alarming result of this increase has been a significant rise in the number of drug-related deaths and HIV cases. Effective controls on the Russian border have prevented the overland route from developing into a trafficking conduit. The police are concerned, however, about heroin and methamphetamine shipments arriving from the St. Petersburg area and the Baltic countries, respectively. Finland is a major donor member of the UNDCP, and is active in counternarcotics initiatives within the European Union. Finland is a party to the 1988 UN Drug Convention.

II. Status of Country

Finland remains an insignificant country with respect to narcotics production, trafficking, cultivation, and production/diversion of precursor chemicals. Finnish law enforcement authorities effectively counter the threat of trafficking from abroad. Estonia, Russia, Spain, and the Netherlands are Finland's principal sources of illicit drugs. Existing Finnish legislation covers the distribution, sale, and transport of narcotic substances, as well as extradition, law enforcement, transit cooperation, precursor chemical control, and demand reduction. It also criminalizes abuse of illicit drugs with sentences of up to two years in prison.

Police have made significantly more arrests for heroin use and trafficking in 2000. Authorities suggest a link between the increase in use of heroin and its increased purity and the sharp increase in the number of drug-related deaths among young people. In September 2000, the Finnish press reported that since January 2000 there were 66 drug-related deaths among 15- to 28-year-olds, compared with only 33 in all of 1998. Of the 140 drug-related deaths in 1999, about half were heroin-related. In 2000, the number of new cases of HIV

broke the record set in 1999, rising from 143 to 170. Health experts believe the increase is due in part to intravenous drug use.

There are approximately 25–30 organized crime groups in Finland, some of which have connections with organized crime in the Baltics and Russia. Some of these groups are facilitators and distributors of narcotics to the Finnish market. Police are concerned that the implementation of the European Union's Schengen agreement in March 2001, which will allow the free movement of people and cargo throughout the Union, might increasingly make Finland a transit country for Russian organized crime.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In late 1998, the Finnish government released a comprehensive policy statement on drugs. This statement clearly articulated Finland's policy on drugs: complete prohibition. It reminded citizens that all narcotics infractions, from "casual" use to manufacturing and trafficking, are crimes punishable under Finnish law. However, in October 2000, the Finnish press reported that many prosecutors do not pursue charges in minor drug possession cases. The Ministry of Justice is considering proposing legislation that would mandate fines rather than prison time for minor drug possession offenses. This aside, the police believe it is imperative to criminalize the system effectively in order to send a strong deterrent message to the "demand" end.

Accomplishments. In late 2000, Parliament passed legislation which would increase the law enforcement community's ability to pursue criminals with additional investigative tools, including undercover investigations, and authorization to make controlled "buys" (wiretapping was authorized in 1995). The legislation should go into effect in March 2001. Following the issuance of the government's comprehensive policy statement on drugs in late 1998, in February 2000, the Finnish police completed a strategy for combating drugs for 2000–2003. The strategy places an increased emphasis on addressing street-level drug trafficking.

Law Enforcement Efforts. Police report a significant increase in arrests and seizures of heroin and ecstasy in the late 1990's and into 2000. Police investigated 167 cases of indoor cannabis cultivation in the first six months of 2000, up from the equivalent total of 128 in 1999. Indoor cannabis cultivation is a fairly new phenomenon in Finland, according to the police. While most homegrown cannabis is for private consumption, some is intended for trafficking.

Beginning in the mid-1980s, law enforcement authorities focused limited police resources on major narcotics cases and on significant traffickers, somewhat to the detriment of street-level patrols, investigations, and prosecutions. Police suggest the result of this focus was to lessen drug users' fear of arrest and to make "recreational" drug use more widespread. According to the police, the steady rise in drug use during the 1990s and 2000 led to a situation in which the number of drug offenders greatly exceeds the resources deployed to combat illegal drugs. The police report that, following the release in late 1998 of the government's policy statement on drugs, greater resources have been devoted to combating drugs at the street level. This includes action by uniformed police officers, as well as by plainclothes police officers.

Corruption. There have been no arrests or prosecutions of public officials charged with corruption or related offenses linked to narcotics money in Finnish history.

Agreements and Treaties. Finland is party to the 1988 UN Drug Convention and its legislation is consistent with all the convention's goals. Finnish judicial authorities are empowered to seize the assets, real and financial, of criminals. Finland has extradition treaties with many countries, and ratified the European Union's extradition treaty in 1999. In December 2000, Finland signed the UN Convention Against Transnational Crime and its protocols. A 1980 bilateral extradition treaty is in force between the U.S. and Finland. The USG has also concluded a Customs Mutual Assistance Agreement with Finland. Finland is a member of the major donors' group within the Dublin Group. The vast majority of its financial and other assistance to drug-producing and transit countries has been via the UNDCP. Finland has had bilateral narcotics agreements with Estonia since shortly after that country regained independence.

Finland does not have mutual legal assistance or precursor chemical treaties with the United States. Multilateral treaties, including membership in the UNDCP, constitute the basis of Finnish cooperation with the U.S. on counternarcotics initiatives.

Finland makes an impressive international effort to combat drug trafficking and other organized crime. The Finnish police maintain liaison officers in eight European cities (four in Russia, four elsewhere). In addition, Finland and the four other Nordic countries pool their resources and share information gathered by Nordic liaison officers stationed in 34 posts around the world.

Cultivation/Production. During 2000, there were no seizures of indigenously cultivated opiates, no recorded diversions of precursor chemicals, and no detection of illicit amphetamine, cocaine, or LSD laboratories in Finland. Finland's climate and short growing season make natural cultivation of cannabis and opiates almost impossible. Local cannabis cultivation involves small numbers of plants in individual homes using artificial lighting. The distribution of the 22 key precursor chemicals used for cocaine, amphetamine, and heroin

production is tightly controlled.

Drug Flow/Transit. Hashish is the drug most often seized by the Finnish police. Trafficking in highly purified methamphetamine from Estonia and Poland, small quantities of ecstasy from Estonia, and amphetamine for Lithuania is a continuing concern for Finland. According to the police, these drugs are generally manufactured in the Baltic region and elsewhere in Europe. Finnish authorities affirm that their land border with Russia is well guarded—on both sides—to ensure that the border will not become a significant narcotics transit route. They express continuing concern, however, about the recent presence (since 1998) of high-quality, powerful heroin ("white heroin") from the St. Petersburg area.

IV. U.S. Policy Initiatives

U.S. Policy Initiatives. The U.S. has pursued cooperation with Finland in a regional context, coordinating assistance to the Baltic States. In January 2000, DEA conducted a two-week DEA regional drug enforcement seminar in Helsinki. The seminar brought together participants from Finland, Estonia, Latvia, and Lithuania. In December 2000, three FBI experts came to Helsinki at the invitation of the Finnish police to make presentations at a Council of Baltic Sea States Law Enforcement Task Force on money laundering.

Bilateral Cooperation. Cooperation between U.S. law enforcement agencies and their Finnish counterparts remains excellent.

The Road Ahead. The U.S. anticipates continued excellent cooperation with the Government of Finland in all areas of countering crime and narcotics trafficking.

France

I. Summary

France remains a transshipment point for drugs moving in Europe. With its shared borders with trafficking conduits such as Spain, Italy, and Belgium, and France's proximity to northern Africa, France is a natural distribution point for drugs destined for North America from Europe and the Middle East as well as the appropriate destination for drugs aimed at France and nearby countries. Specifically, ecstasy (MDMA) originating in the Netherlands and Belgium, heroin originating in southwest Asia, cocaine originating in South America, and cannabis originating in Morocco all pass through France.

A major concern of French officials is the continuing rise in the number of users of ecstasy and the large quantities of this synthetic drug that are entering France. The use of crack cocaine is almost negligible. But the use of cannabis (primarily hashish) is rising, particularly among young people, making it the most widely used drug in France. Like other European countries, France is increasingly facing the problem of multiple drug addiction. France is a party to the 1988 UN Drug Convention.

II. Status of Country

French government narcotics data for 1999, released in the spring of 2000, show that the number of persons arrested for trafficking in cannabis remains significantly greater than for any other drug. The 1999 data show that arrests for cocaine/crack trafficking increased by over 22 percent. In 1999 the amount of heroin seized dropped 16.96 percent and there was a 17.78 percent decrease in the number of arrests for heroin use/resale. This would indicate that actual use of heroin was also down for the third year in a row. Cannabis and ecstasy continue to be the most widely abused drugs in France. The number of arrests for cannabis use/resale increased 8.22 percent. Arrests for trafficking in psychotropic substances increased 110 percent and increased 17.25 percent for their use/resale.

III. Country Actions Against Drugs in 2000

Policy Initiatives. France's drug control agency, "La Mission Interministerielle de Lutte Contre la Drogue et la Toxicomanie (MILDT)" (The Interministerial Mission for the Struggle Against Drugs and Drug Addiction), is the focal point for French national drug control policy. MILDT coordinates among the many ministries that have a role in establishing, implementing, and enforcing France's domestic drug control strategy. In June 1999 the GOF adopted a three-year plan of action (1999–2001) to integrate efforts against the abuse of tobacco, alcohol, and prescription drugs into France's antinarcotics programs. The plan gives a major role to prevention, including health, welfare and education programs, while reaffirming the role of law enforcement activities.

In January, a regional center for combating drugs was inaugurated at the police academy in Sofia, Bulgaria, under a program for cooperation between the Interior Ministries of Bulgaria and France. In November, the French government hosted a seminar in Almaty, Kazakhstan, which included police from Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan to share operational methods used by law enforcement agencies in European countries. In July, the French/EU presidency proposed an annual session of six seminars to be offered to National Police of EU member states to take place in Lyon and Muenster between November 2000

and March 2001.

Accomplishments. France has stabilized and perhaps even reduced the number of heroin users. Having adopted a new national drug policy, the GOF has commenced implementation of a three-year national drug control strategy. French law enforcement officials continue to interdict and seize large quantities of narcotics destined for or transiting France.

Law Enforcement Efforts. French counternarcotics authorities are efficient and effective. In 2000, French authorities made notable seizures of narcotics. In May, French customs seized 192,000 ecstasy tablets in the Port of Calais. In the same month, officials dismantled an international (France–Morocco) cannabis smuggling ring. The second largest seizure of cocaine (117 kilograms) for the year was made in the Port of Calais on May 30. The General Directorate of Customs at Roissy, Charles de Gaulle Airport, seized over 285 kilograms of cocaine only half-way through 2000. They predicted that seizures of heroin and cocaine in 2000 would be greater than 1999. In August, a Spanish national was arrested following the seizure of 2,200 doses of LSD. In September, customs officers seized 1.4 tons of cannabis resin in Bordeaux, the largest seizure in over a year.

France is an active participant in international efforts. In August, five tons of cocaine were seized in Orinoco (Venezuela) as a result of French cooperative efforts. The confiscation operation included counternarcotics and intelligence authorities from France, the U.S., and other countries.

In 1999 heroin seizures (203 kilograms) decreased by 40.86 percent, cannabis seizures (67,480 kilograms) increased by 21.15 percent, cocaine seizures (3,687 kilograms) increased by 254.84 percent, LSD seizures (9,991 doses) decreased by 46.51 percent, and ecstasy seizures (1,860,402 doses) increased by 62.88 percent.

Corruption. Narcotics-related corruption among French public officials is not a problem. The U.S. is not aware of any involvement by senior officials in the production or distribution of drugs or in the laundering of drug proceeds.

Agreements and Treaties. France is a party to the 1988 UN Drug Convention. It is a party to the 1961 UN Single convention and its 1972 Protocol, as well as the 1971 UN Convention on Psychotropic Substances. The USG and the GOF have narcotics-related agreements, including a 1971 agreement on coordinating action against illicit trafficking. In 1996, the U.S. and France signed a new extradition treaty to replace the 1911 treaty and 1970 supplementary treaty currently in effect. The U.S. Senate ratified the new treaty in 1998. A mutual legal assistance treaty signed in 1998 is expected to enter into force in 2001.

The U.S. has a Customs Mutual Assistance Agreement (CMAA) with the GOF. French officials participate in international multilateral drug control efforts, including UNDCP, the Financial Action Task Force (FATF), and the Dublin Group of countries to coordinate drug assistance. In 1999, France was the 11th largest donor to the UNDCP, giving 9.5 million Francs (approximately \$1.36 million), with particular emphasis on judicial assistance, border controls in Southwest Asia, and money laundering. In December 2000, France signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. French authorities believe the cultivation and production of illicit drugs is not a problem in France. France cultivates opium poppies under strict legal controls for medical use and produces amphetamines. It reports its production of both products to the International Narcotics Control Board (INCB) and cooperates with the U.S. Drug Enforcement Administration (DEA) to monitor and control those products.

Drug Flow/Transit. France is an important transshipment point for illicit drugs to other European countries. Most of the heroin consumed or transiting through France originates in southwest Asia (Afghanistan and Pakistan) and enters France via the Balkans after passing through Iran and Turkey. New routes for transporting heroin from southwest Asia to Europe are developing through central Asia and Russia. West African drug traffickers are also using France as a transshipment point for heroin and cocaine. These traffickers move heroin from both Southwest Asia and Southeast Asia (primarily Burma) to the U.S. through West Africa and France, with a back-haul of cocaine from South America to France through the U.S. and West Africa. Law enforcement officials believe these West African traffickers are stockpiling heroin and cocaine in Africa before shipping it to final destinations. France is also a transit route for Moroccan cannabis (hashish) destined for European markets, and for South American cocaine destined for the U.S. and Europe. There is no evidence that the heroin or cocaine entering the U.S. from France is in an amount sufficient to have a significant effect on the U.S.

Most of the South American cocaine entering France comes from Spain and Portugal. Most of the ecstasy in France or transiting France is produced in the Netherlands and Belgium.

Domestic Programs. MILDT is responsible for coordinating France's demand reduction programs. Drug education efforts target government officials, counselors, teachers, and medical personnel. The GOF is continuing its experimental methadone treatment program. Although there continues to be public debate concerning decriminalization of cannabis, the GOF is opposed to any change in the 1970 drug law that criminalizes all uses of illicit substances, including cannabis.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. and GOF counternarcotics law enforcement cooperation remains excellent with a confirmed practice of information sharing. Most recently, French counterparts attended a conference on ecstasy held in the United States.

The Road Ahead. The U.S. will continue its cooperation with France on all counternarcotics fronts, including multilateral efforts such as the Dublin Group and UNDCP.

Georgia

I. Summary

Georgia is a secondary transit route for narcotics flowing from Central Asia to Europe. Georgia has the potential to become an important narcotics transit route in the future because of the lack of control the government exercises over some of its borders and territory. Law enforcement agencies remain overstuffed, under-equipped, poorly paid, and have a reputation for corruption. The United States Government continues to provide training and equipment for the border guards and customs officials. Georgia is a party to the 1988 UN Drug Convention and is working with the UN Drug Control Program.

II. Status of Country

Georgia is a secondary transit route for heroin smuggled from Afghanistan to Europe and morphine base, also from Afghanistan, being transported to Turkey. Given Georgia's geographic location and its ambition to form part of an overland trade corridor between Europe and Asia in the future, there is a possibility it could also emerge as a major drug route. Local involvement in drug trafficking remains limited, but cigarette, fuel and alcohol smuggling are major illegal activities in Georgia. Interdiction efforts are hampered by Georgia's lack of control of all its territory and its borders, some of which continue to be under separatist control.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Counternarcotics efforts are coordinated under an inter-agency group chaired by the Ministry of Interior (MOI) with the Ministry of State Security (MSS) as deputy chair. The interagency group did not undertake any significant counternarcotics policy initiatives in 2000. The lead agencies remain fully occupied with other priorities involving Georgia's national security.

Law Enforcement Efforts. Drug seizures and arrest in 2000 are reported to have risen 200 percent from 1999. Despite a growing awareness of the dangers of increased narcotics transiting, all of the relevant law enforcement agencies in Georgia suffer from a lack of financial resources. Their personnel are under-equipped and poorly trained. Command lines are vague and these organizations are vastly over-staffed.

Corruption. Corruption is a significant problem for Georgia's law enforcement agencies. There is widespread acceptance of corruption within Georgian society. Despite numerous investigations and firings, petty corruption on the part of lower level government officials is still widely tolerated as an inevitable consequence of economic hardship and paltry salaries, often unpaid for months at a time. Customs officials lack proper training and are easily corruptible. The President appoints the head of the customs service, but other positions are reportedly purchased.

Agreements and Treaties. The GOG has no counternarcotics agreements with the United States. Georgia has been a party to the 1988 UN Drug Convention since January 1998. Georgia is also a party to the council of Europe Prisoner Transfer Treaty. Apart from a cooperation agreement between Georgia and Turkish Interior Ministries, there are no formal mechanisms to exchange counter narcotics information. Georgia signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Cultivation and Production. Estimates by the GOG on the extent of narcotics cultivation in Georgia are unreliable. They do not, for example, include those areas of the country outside the central government's control. Despite a small amount of low-grade marijuana grown mainly in the foothills of the Caucasus Mountains, largely for domestic use, Georgia does not appear to be a significant producer of narcotics. Although Georgia has the technical potential to produce precursor chemicals, it has no known capacity for presently producing significant quantities of such chemicals.

Drug Flow/Transit. The government has no reliable statistics on the volume of drugs transiting Georgia. However, the Ministry of Internal Affairs (MOIA) has reported that 95 percent of illegal drugs in Georgia are imported. MOIA statistics indicate incidences of illegal drug contraband seizures doubled in 2000.

Demand Reduction. There are approximately 20,000–25,000 drug addicts in Georgia, according to MOIA estimates. The drugs of choice are heroin and opium. The national program prepared by the MOIA's antinarcotics unit is comprehensive; however, program implementation has been constrained due to a lack of resources. Besides law enforcement activities, the government's strategy involves the treatment of addicts and the education of young people as keys to the long-term reduction of domestic drug use.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In the year 2000, the USG provided \$20 million to the Georgian Law Enforcement Assistance program. This program has assisted the GOG in developing the capabilities of its border guards and customs service to control Georgia's borders after Russian Border Guards pulled out in 1998. This program included counternarcotics training, training in tracking migration of persons, technical assistance, and an antinarcotics seminar for the entire Caucasus region.

The Road Ahead. Corruption in Georgian law enforcement agencies makes effective counternarcotics efforts problematic. Financial and technical assistance from the U.S. and the international community should concentrate on building capacity to monitor and control the workings of the law enforcement bodies.

Germany

I. Summary

Although not a major producing country, Germany is a consumer and transit country for narcotics. Most illicit drugs are consumed in Germany, with ecstasy use showing a dramatic surge. Cocaine and heroin also rank as widely used illicit drugs. There is a high level of cooperation between Germany and the United States on prevention programs, interdiction, money laundering, precursor chemical diversion, and Dublin Group (assistance coordination) matters. Drug use and attendant problems continue to be treated primarily as social and health issues rather than criminal issues in Germany. Germany has criminalized money laundering and in mid-2000 created a Financial Intelligence Unit and established a central database for reporting of suspicious money laundering transactions. Germany is a party to the 1998 UN Drug Convention.

II. Status of Country

Drug couriers from around the world travel to or through Germany via its major airports at Frankfurt and Duesseldorf, and its North Sea and Baltic seaports such as Hamburg, Bremen, and Rostock. Much of the heroin for the markets of Europe passes through Germany. Heroin is destined for the Netherlands, and most seizures have been from Turkish nationals. Colombia, as well as several other Latin American countries, remains the main source of cocaine transiting Germany. Germany is the world's leading manufacturer of pharmaceuticals, making it a target for the diversion of precursor chemicals used in the production of illicit narcotics.

III. Country Actions Against Drugs in 2000

Policy Initiatives. With the 1998 shift of responsibility for the coordination of drug policy from the Ministry of Interior to the Ministry of Health, Germany's approach to drug use and problems shifted from law enforcement to social and health concerns. Focus continues to be on prevention and raising awareness of drug addiction as a disease. Drug consuming rooms, where addicts shoot up in a clean environment and are offered drug counseling, were legalized by the German Federal Government in February 2000. Hamburg, a leader in addressing drug addiction as a health problem, was the first German state to pass implementing legislation for the drug consuming rooms. Assessing the effectiveness of drug consuming rooms is difficult due to the absence of hard data, but those in Hamburg received considerable government support as one tool in the battle against drugs. The rooms remain controversial within Germany and in other countries. Unless they can provide solid evidence of effectiveness, they are not likely to become widespread.

Germany continues to contribute to the UNDCP. Germany ranks with Italy, England, the United States, Japan, and Sweden as one of the most important contributors to the UNDCP. The Federal Ministry for Economic Cooperation and Development annually contributes approximately U.S. \$2.3 million to be used in narcotics control programs.

Accomplishments. Through October 2000, German law enforcement officials had numerous successes in seizing illicit narcotics either destined for the German market or transiting Germany for other markets. During the first six months, eight drug laboratories were discovered (five for the production of cocaine and three for the production of amphetamines). German police cooperated with Spanish law enforcement officials in May 2000 in seizing 4.5 tons of hashish in Valencia, Spain. In addition, the alleged perpetrators had over U.S. \$500,000 in a Berlin bank. In October, Munich police seized 10.4 kilograms of heroin at a street price of approximately U.S. \$10 million. In November, Customs investigators in Frankfurt and Hamburg apparently thwarted a possible drug deal with a value of approximately U.S. \$300 million. Cargo from China containing 452 kilograms of a chemical substance used in the manufacture of ecstasy was destroyed at the Frankfurt airport. In November, Bavarian authorities seized 87 kilograms of heroin (the largest seizure in 2000). The drugs in this seizure apparently originated in Turkey and were destined for the German market. In November, Bavarian customs authorities seized 400 kilograms of hashish, their largest discovery of hashish in several years. This hashish, which was discovered in an Albanian refrigerator truck, entered Germany via Italy and Austria. Official figures for the first six months of 2000 reported total heroin seizures during that period as 339 kilograms, cocaine seizures at 384 kilograms, amphetamines at 125 kilograms. Hashish and marijuana

seizures for the first six months of 2000 were reported as 6.2 MT and 3.1 MT, respectively. Some 720 thousand MDMA—"Ecstasy" pills were seized as well.

Law Enforcement Efforts. At the state and federal levels, German law enforcement efforts are effective.

Corruption. Neither the government nor senior officials encourage or facilitate the production or distribution of illicit drugs. Isolated cases of corruption may occur, but it is not a major problem in Germany.

Agreements and Treaties. Germany is a party to the 1988 UN Drug Convention. Germany signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000. A 1978 extradition treaty and supplement is in force between the U.S. and Germany. Negotiations for a Mutual Legal Assistance Treaty (MLAT) between the U.S. and Germany are on-going. There is a Customs Mutual Assistance Agreement (CMAA) between the U.S. and Germany.

Cultivation/Production. Police occasionally discover marijuana plants cultivated for personal use, but there is no reported large-scale cultivation of any type of drug in Germany.

Drug Flow/Transit. Germany remains a transit country for illicit narcotics. Afghan heroin moves through Turkey along the "Balkan Route" into Germany. Most cocaine seizures involved drugs from Colombia, though other countries of transit/origin include The Netherlands and Brazil.

Domestic Programs/Demand Reduction. Federal Ministry of Health State Secretary Christa Nickels, tasked with overseeing Germany's drug policy, continues to emphasize prevention and demand reduction. DEA works closely with local law enforcement officials in outreach programs, such as presentations at schools, in conducting prevention and demand reduction programs.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. German law enforcement agencies work closely and effectively with their U.S. counterparts in narcotics related cases. Close cooperation to curb money laundering continues between DEA, the Federal Bureau of Investigation (FBI), the Internal Revenue Service, and the U.S. Customs Service and their German counterparts. These agencies and their FRG counterparts routinely cooperate in joint investigations. Within the last year, there were 25 controlled deliveries to the U.S. resulting in the seizure of over 500 kilograms of ecstasy and numerous arrests. Further investigations in these cases have resulted in the identification and arrest of an international ecstasy dealer. German-U.S. cooperation has also yielded an excellent program designed to attack diversion of the chemical precursor for cocaine production.

The Road Ahead. The United States will continue its cooperation with Germany on all bilateral and international counternarcotics fronts, including the Dublin Group and the UNDCP. Completion of an MLAT will remain a priority for both the U.S. and Germany.

Greece

I. Summary

Greece is an important "gateway" country in the transit of illicit drugs. Narcotics flow into Western Europe both through Greece's porous marine borders and through land borders with neighboring countries. Heroin and hashish enter Greece via Turkey, while cannabis and other drugs enter via Albania, Bulgaria and FYROM (Former Yugoslav Republic of Macedonia). Greek authorities report that drug abuse, particularly of heroin, is increasing. The country has the second highest rate of increase in drug overdose deaths in Europe.

Although Greece is not a major transit country for drugs coming to the United States, it remains a country of concern to the U.S. Local U.S. authorities report an excellent working relationship with Greek law enforcement agencies. The government of Greece (GOG) is an active member of international antidrug and anti-money laundering organizations such as the Financial Action Task Force (FATF) and the Dublin Group, in which a Greek representative chairs the Balkans/Near East regional working group. The Greek Parliament ratified the Southeast European Cooperative Initiative's (SECI) anticrime initiative and plans to participate in the work of the regional anticrime center in Bucharest, and its specialized task force on counternarcotics. Greece is a party to the 1988 UN Drug Convention.

II. Status of Country

Greece's geography, particularly its extensive coastline and numerous islands, its merchant marine (largest in the world), and its membership in the European Union make it a favored drug transshipment route to Western Europe. Two major Balkan drug routes pass through Greece: from Turkey through Greece and Albania to Italy, and from Turkey through Greece to Bulgaria and on to Central and Western Europe.

The domestic market for illicit drugs is growing, particularly for heroin. A 1999 study by the University of Athens found that the use of narcotics tripled in the last 15 years. Greek officials in charge of counternarcotics policy estimated the number of persons in Greece using heroin on a regular basis at approximately 40,000,

with an estimated 90 percent of the heroin addicts using it intravenously. Other drugs used include cocaine, LSD, ecstasy, barbiturates, amphetamines, and locally grown marijuana. Academic sources estimated the average age for first time marijuana use to be 16 years old. Solvents are the most widely used controlled substances among high school students (6.5 percent in 1993 and 13.7 percent among students aged 15–16 in 1998).

While not a major producer, supplier, or transshipment point for precursor chemicals, Greece has a special customs unit to track and investigate chemical imports and exports.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Ministers of Health and Justice approved the extension of the government's network of methadone treatment, in addition to two methadone treatment centers already in Athens and two in Thessaloniki, to several other major cities in Greece. OKANA, the Ministry of Health's agency for combating narcotics use, treats approximately 666 addicts at the four existing methadone treatment centers and has 4,076 people on its waiting list. (The long list is due to the limited number of centers available to addicts.) It also runs a needle exchange program; syringes are inexpensive and readily available in pharmacies.

The Ministry of Justice, with OKANA and the Ministry of Health, undertook the creation of a treatment facility for prison inmates addicted to drugs. The center, to be located in Avlona (Thiva), has not yet opened.

Accomplishments. The Financial Crimes Enforcement Unit (SDOE) of the Ministry of Finance has participated in a number of narcotics interception operations since it was activated in 1987. In August 2000, after a nine-month multi-nation investigation, the U.S. Drug Enforcement Agency (DEA), working with the Hellenic National Police (HNP), SDOE and Hellenic Coast Guard (HCG), seized 9.5 tons of cocaine off the coast of Venezuela and several cargo vessels, and arrested 50 suspects, several of whom were expelled to the United States. Greek authorities will play a significant role in providing testimony and evidence in these trials.

The DEA and HCG have also had many successes in their container program this year in South and Central America. Ships transiting through Greek ports were seized and searched. Shipments of hundreds of kilograms of drugs were found as a result of this program.

Law Enforcement Efforts. The Central Narcotics Council, composed of representatives from the Ministries of Public Order, Finance, and Merchant Marine, coordinates Greece's drug enforcement activities. Cooperation between U.S. and Greek law enforcement officials is excellent; the GOG pursues U.S. requests for legal assistance routinely. Greek laws permit the seizure of assets related to drug convictions. For the first time, the authorities are also permitting the sharing of seized assets with other countries. The money raised in 2000 from the auctioning of several seized cargoes was shared between the U.S. and the Greek counternarcotics agency.

From January 1–September 30, 2000, statistics show that the GOG seized 86 kilograms of heroin, 15 kilograms of cocaine, and 25 kilograms of cannabis resin. In addition, 61,000 cannabis plants were seized as well as seven tons of cannabis herb. During this period in 2000, there were 8,727 drug-related arrests and 5,670 drug investigations. In December 2000, law enforcement officials seized a shipment of 500 kilograms of heroin.

The antinarcotics unit of the Greek police does not have its own budget. As a result, police equipment is often outdated and training is infrequent, but has improved since 1999.

Corruption. The Ministry of Public Order opened a Bureau of Internal Affairs in October 1999 to combat police corruption. Local U.S. authorities had no reports of serious corruption within the narcotics department of the police force, nor in other governmental antinarcotics agencies. The government Ombudsman's office, created in 1998, has authority to investigate corruption complaints within the governmental bodies that bear the antinarcotics responsibility in Greece.

Agreements and Treaties. Greece is a party to the 1988 UN Drug Convention, and meets the convention's goals and objectives relating to drug cultivation, distribution, sale, transport, law enforcement, transit cooperation, and demand reduction. Greece has passed implementing legislation for essential and precursor chemical controls. An agreement between the GOG and the U.S. to exchange information on narcotics trafficking has been in force since 1928, and an extradition treaty has been in force since 1932. The U.S. ratified a new Mutual Legal Assistance Treaty (MLAT) in December 2000 between the United States and Greece. The MLAT was ratified by the Greek Parliament in October 2000. The Police Cooperation Memorandum, signed in September 2000, will enhance operational police cooperation between the two countries. The U.S. has concluded a Customs Mutual Assistance Agreement (CMAA) with the GOG.

Cultivation/Production. Cannabis, cultivated in small amounts for local consumption, is the only illicit drug produced in Greece.

Drug Flow/Transit. Greece is a major transshipment route to Western Europe for heroin from Turkey, hashish

from the Middle East, and heroin, ecstasy, and marijuana from Southwest Asia. Metric ton quantities of marijuana and smaller quantities of other drugs are smuggled across the borders from Albania, Bulgaria, and FYROM. Marijuana has been smuggled into Greece on pack mules across the mountainous border with Albania. Hashish is off-loaded in remote areas of the country and transported to Western Europe by boat or overland. Larger shipments are smuggled into Greece in shipping containers, on bonded "TIR" trucks, in automobiles, on trains, and in buses. Such trucks typically enter Greece via Turkish border crossings, then cross the Adriatic by ferry to Italy. A small portion of these drugs is smuggled into the United States, including Turkish-refined heroin that is traded for Latin American cocaine, but there is no evidence that drugs narcotics entering the U.S. from Greece are in an amount sufficient to have a significant effect on the United States. Nigerian drug organizations smuggle heroin and cocaine through the Athens airport, and increasingly through the Aegean islands, from Turkey. The police have raided several organizations selling anabolic steroids (not a controlled substance in Greece) by mail to purchasers in the United States. Cocaine also transits through Greece to other parts of Europe.

Domestic Programs. OKANA coordinates all national antinarcotics policy in Greece. It heads demand reduction efforts, develops and administers information and prevention programs, runs treatment centers for substance abusers, and coordinates with other agencies involved in narcotics treatment and prevention.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. DEA has a close working relationship with representatives of the Greek Coast Guard, the national police, Customs, SDOE, and INTERPOL.

The economic section of the U.S. Embassy in Athens maintains regular contact with SDOE. The Embassy's office for public diplomacy regularly distributes literature on drug prevention, and periodically arranges background briefings with DEA officers for local journalists and general informational seminars. Local DEA officials are frequent speakers at local schools. Another program provides grants to Kethea (a self-regulating legal entity under the supervision of the Ministry of Health, providing treatment, vocational training and social rehabilitation to drug addicts) to bring U.S. rehabilitation experts for two weeks at a time to train Greek therapists.

The Road Ahead. The United States will encourage the GOG to continue to participate actively in international organizations such as the Dublin Group and OSCE. DEA will continue to seek funding to offer training to Greek officials. DEA will also continue to organize additional conferences, seminars, and workshops with the goal of building regional cooperation and coordination.

Hungary

I. Summary

Hungary is an important transit country for illegal narcotics from Southwest Asia to Western Europe. Among other drugs, Hungary receives synthetic drugs and marijuana from the Netherlands, and heroin through the Balkan Route. After dramatically increasing in the early 1990's, drug seizures have remained relatively stable over the past few years. In 2000, however, there was an increase in seizures, possibly linked to improvements in Hungarian border control. Domestic consumption of illegal narcotics, particularly heroin and ecstasy, continued to be a problem. The Government of Hungary (GOH) passed strict antidrug legislation in late 1998 that went into effect in early 1999 and introduced stiff penalties for using and/or selling narcotics. The government has also campaigned to eliminate corruption among government officials, especially those in the political or judicial sphere, and a national anticorruption strategy is in the process of being formulated. However, there is scant evidence of success in this field.

Drug traffickers may be punished with life imprisonment. Civil rights activists have been critical of the government, arguing that the new laws unfairly punish users. A Data-Sharing Agreement to improve further U.S.-Hungarian law enforcement cooperation was concluded in January 2000. Hungary is a party to the 1988 UN Drug Convention.

II. Status of Country

Hungary continued to be used as a major transit country for illegal narcotics smuggled from Southwest Asia through the Balkans to Western Europe, although some disruption of traditional routes occurred as a result of instability in the FRY (Former Republic of Yugoslavia). Although Hungary is not a major transit country for drugs coming to the United States, it remains a country of concern to the U.S. The Hungarian government assesses that foreign groups primarily control transit and sale of narcotics in Hungary, particularly groups from Albania, Turkey and Nigeria. Many of these groups have been resident in Hungary for several years. Ethnic Turks are continuing a trend toward increasingly more sophisticated means of transporting drugs through Hungary, including the use of German-licensed vehicles that are not as closely scrutinized by border guards.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Anticrime legislation passed into law on March 1, 1999 was the first anticrime initiative of the new government elected in May 1998. The legislation stiffens Hungary's criminal code, extends life imprisonment for drug trafficking, allows confiscation of property, creates new criminal provisions for production of chemical precursors and increases penalties for drug-related crimes. All drug consumers, including casual users, are subject to criminal penalties, although addicts may be exempted from prosecution. Civil rights leaders claim that the new provisions, among the toughest in Europe, will unfairly punish casual users, while exempting addicts.

Accomplishments. The GOH adopted a National Drug Strategy, which includes demand reduction and law enforcement efforts. The Coordination Committee on Drug Affairs was established as part of the National Drug Strategy to act as a forum to iron out political conflicts associated with implementing the national strategy. Its creation addresses calls in Parliament to replace the inter-ministerial drug committee by a "Drug Czar" and an entirely new office responsible for antinarcotics strategy. According to unconfirmed press reports, a detailed budget for the strategy, estimated at 17 Billion HUF (roughly U.S. \$56 million) and the draft strategy itself were submitted to Parliament where final approval is expected with few changes.

Law Enforcement Efforts. Hungarian and Austrian border authorities continue joint cross-border antinarcotics investigation efforts begun in 1998. Eastern Hungary has seen initial steps toward joint border control efforts with Romanian and Ukrainian counterparts encouraged by the U.S. Embassy, while updated detection equipment provided by the European Union at high-incident border posts will continue to help bring down incident rates in these areas. On December 5, the Hungarian Parliament passed a bill creating an Anti-Mafia Center that will provide needed data-sharing and investigative cooperation between Hungarian law enforcement bodies with investigative powers and the secret services. The Center was scheduled to begin operations in January 2001, despite the Hungarian Socialist Party's appeal to the Constitutional Court to block the opening of the Center on constitutional and political grounds.

Corruption. Hungary's governing coalition passed an anti-Mafia package that went into effect in March 1999. Its provisions include increased criminal penalties for organized crimes relating to drugs and money laundering in addition to a number of other offenses. In 1999, the GOH conducted an anticorruption campaign targeted primarily at civil servants. A new code of ethics for Interior Ministry civil servants is being prepared in line with assistance provided by the U.S. Embassy. The new Border Guards commander, upon assuming office in late 1999, unveiled plans for a new personnel system designed to break up the continuity of border guards posts in an effort to separate groups of potentially corrupt officials. The plans have not yet been implemented. To date, there is little evidence of concrete progress in this anticorruption campaign, although the arrest of Parliamentarian Istvan Szekely for taking bribes may provide the first example of a high-level corruption prosecution since the regime change in 1990. There have been no narcotics-specific corruption cases of which we are aware.

Agreements and Treaties. Hungary is party to the 1961 UN Convention amended by the 1972 Protocol, the 1971 UN Convention and the 1988 UN Drug Convention. An extradition treaty and mutual legal assistance treaty are in force between the U.S. and Hungary. A bilateral Data-Sharing Agreement was signed in January 2000 that paved the way for even closer cooperation between U.S. and Hungarian law enforcement agencies. Hungary signed the UN Convention Against Transnational Organized Crime and accompanying Protocols in December, 2000.

Cultivation/Production. GOH authorities claim that marijuana (mostly cultivated in Western Hungary), ecstasy and LSD are locally produced; all other illegal narcotics are imported into Hungary. Seventeen marijuana plots were eradicated in 1998; four in 1999; but only one, consisting of 117 plants, was eradicated as of the end of November 2000.

Drug Flow/Transit. Through the first 11 months of 2000, overall drug seizures went up sharply in Hungary, owing largely to a handful of large confiscations scattered throughout the year. The Hungarian Customs Service noted, particularly, the steep increases in heroin, marijuana, hashish, and opium seizures. Slight-to-moderate decreases were observed in coca leaf (tourist confiscations), ecstasy and LSD seizures, but the volume of these decreases was dwarfed by the increases cited above. The gross weight of confiscations through the end of November 2000 increased by some 430 percent over 1999 figures.

Demand Reduction. Hungarian officials continue to report the increasing seriousness of their domestic drug problem, particularly among teens and those in their twenties, who have benefited from the country's strong, if unequal, economic performance. There are 10,000 heroin addicts in Hungary, and synthetic drugs are also widely abused. In response to this growing problem, the National Drug Strategy, adopted on December 5, plans to expand prevention programs modeled after a 1995 U.S. pilot project in Hungary to train teachers to identify and counsel students using drugs. The strategy also plans to broaden law enforcement efforts begun in 1998 to attack the drug supply network. To achieve these goals, the GOH will use public information campaigns and other methods to deliver better, more complete information about the dangers of drug use to

the public. In addition, national drug treatment capabilities will be expanded and lifestyles that are more productive will be highlighted as a way of limiting exposure to and a desire to experiment with psychotropic drugs. Funding for the National Drug Strategy (USD \$56 million) is spread over a three-year term.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The U.S. focuses its support for GOH counternarcotics efforts on training and cooperation through the ILEA (International Law Enforcement Academy) and bilateral programs with the GOH. As part of the U.S. program, DEA conducts training programs for its Hungarian counterparts, which included an Asset Forfeiture course in September 2000. DEA maintains a regional office in Vienna, Austria, that is accredited to Hungary and works with local and national authorities.

Bilateral Cooperation. GOH officials continue to participate in international law enforcement training efforts, particularly through the ILEA and the bilateral program coordinated by the U.S. Embassy in Budapest. The U.S. has been supportive of Hungarian legislative efforts to stiffen criminal penalties for drug offenses, and will continue to support the GOH through training at ILEA and ad hoc initiatives. The USG will continue to sponsor law enforcement training programs and technical assistance via the USG "6-Point" Plan.

The Road Ahead. The U.S. will continue to enhance its already excellent law enforcement and counternarcotics relationship with the GOH. The U.S. will move to ensure effective implementation of the 2000 Data Sharing Agreement and the Mutual Legal Assistance Treaty. The U.S. will work to secure resources to provide assistance to the GOH in all its counter crime efforts, with special attention to improvements in efforts to counter corruption.

Iceland

I. Summary

Few, if any, illegal drugs are produced in Iceland and the country is not considered to be a major transit point between North America and mainland Europe. Most illegal drugs in Iceland originate from outside the country and appear to be solely for domestic use. However, in the single biggest drug seizure of 2000, an airline passenger transiting Iceland on his way to New York was found with more than 14,000 ecstasy tablets in his possession. Some Icelandic officials are concerned that the country's upcoming participation in the Schengen Agreement's free travel area could increase the movement of illegal drugs through the international airport at Keflavik. An annual survey of Icelandic 10th graders showed alcohol and drug use dropping for the second consecutive year, reversing an upward trend since 1990. At same time, however, there were signs that overall drug abuse continued to increase, as it has since 1995. In 2000, the number of admissions to treatment centers was significantly higher, and law enforcement officials again seized a record amount of drugs.

II. Status of Country

Illegal drugs and precursor chemicals are not cultivated or produced in significant quantities in Iceland. The harsh climate and lack of arable land make the outdoor cultivation of drug crops almost impossible. Icelandic authorities believe that the production of drugs, to the extent it exists, is limited to individual marijuana plants and a small amount of homemade amphetamines. The vast majority of illegal drugs found in Iceland originates from outside the country, mainly Denmark, the Netherlands, and Germany. The chief illicit drugs entering Iceland are cannabis, amphetamines, cocaine, and ecstasy. Icelandic authorities believe that most illegal drugs are smuggled into the country by airline passengers, through the mail or inside commercial containers.

Iceland, along with the other Nordic countries, is scheduled to become a part of the Schengen free travel area on March 25, 2001. Some officials are concerned that the elimination of passport controls on passengers arriving from other Schengen countries could make it more difficult to combat drug smuggling by airline and cruise ship passengers. Traditionally, Iceland's geographic isolation in the harsh environment of the North Atlantic has protected it against other types of smuggling. There is growing concern, however, that drug traffickers could be taking advantage of Iceland's sparse population and numerous unguarded harbors and airstrips to bring in drugs by small private boats and planes.

As indicated by surveys and treatment center admissions, the abuse of drugs in Iceland has increased significantly since 1995, roughly coinciding with the economic boom that has brought unprecedented prosperity to the country. In 2000, there was an especially sharp increase in the number of people treated for cocaine addiction, which previously had been a relatively minor problem. Icelanders were shocked in December 1999 when a teenage drug addict murdered an elderly woman in her home. For a country that averages fewer than two murders per year, this was a chilling new development.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The National Alcohol and Drug Abuse Prevention Council, which includes representatives from each of the seven ministries involved in the fight against drugs (i.e., Prime Minister's Office, Foreign Affairs, Social Affairs, Health, Justice, Finance, and Education), spearheaded the national effort against drug

abuse in 2000. Established in January 1999 to "eradicate the use of harmful drugs and to significantly reduce the consumption of alcohol," the Council distributed more than \$800,000 during the year to various groups and causes around the country in support of these objectives.

Accomplishments. Three times as many ecstasy tablets were seized in 2000 as were in 1999, which itself was a record year. Some two thirds of the ecstasy tablets were seized in one case, when a Dutch national waiting for his connecting flight to New York was caught with 14,000 ecstasy tablets in his possession. The passenger, who admitted that his plan was to sell the tablets in New York, was ultimately convicted of drug trafficking and sentenced to nine years imprisonment. In another major seizure, an airline passenger was found with 80 condoms in his stomach containing some 800 ecstasy tablets. This was one of 11 cases during the year in which an airline passenger was caught hiding drugs within his or her body. Meanwhile, the amount of cannabis products seized in 2000 was down from the record set in 1999, but still significantly above that taken in previous years.

Law Enforcement Efforts. The record number of seizures was due in part to greater cooperation between the police and custom authorities. This cooperation was formalized in an agreement between the National Police Commissioner and the Director of Customs in March 1999. The agreement includes provisions for the sharing of information, the establishment of a joint database, the holding of regular consultations, the use of drug dogs, and the exchange of officers. The increased seizures also reflected new guidelines issued by the National Police Commission in April 1999 to the country's 27 district chiefs of police. Among other requirements, the chiefs of police must now send a monthly report to the National Police Commission outlining who in their district is suspected of producing, importing or distributing illegal drugs and what is being done about it. To assist the district chiefs of police in pursuing drug cases, the National Police Commission divided the country into five operational areas and assigned a specially trained narcotics officer to each one. In addition, a special antidrug task force has been established to conduct operations in the southwest of Iceland, where most of the illegal drugs are believed to enter the country.

Corruption. Public corruption in illegal narcotics is considered rare and, to the degree it exists, does not involve higher-ranking officials of the government.

Agreements and Treaties. Iceland is a party to the 1988 UN Drug Convention, as well as the European Convention on Money Laundering, Search, Seizure and Confiscation of Criminal Proceeds. In December 2000, Iceland signed the UN Convention Against Transnational Organized Crime and its protocols. An extradition treaty dating from 1902, supplemented in 1905, between Denmark and the U.S., is applicable to Iceland.

Domestic Programs/Demand Reduction. The National Alcohol and Drug Abuse Prevention Council's main project was a five-year "Drug-Free Iceland" program, which was launched in 1997 as a cooperative effort among the national government, the city of Reykjavik, and the Association of European Cities Against Drugs. Among other things, the "Drug-Free Iceland" program informed parents about the reality of teenage drug and alcohol abuse and emphasized the importance of enforcing the legal curfew as a way to prevent such abuse. The annual survey of Icelandic 10th graders (16-year-olds) conducted in 2000 indicated that these efforts may be having a positive effect. There was a decrease in alcohol and illicit drug consumption for the second consecutive year, reversing an upward trend since 1990.

In July 2000, Reykjavik was the site for the founding conference of a new organization called "PATH: European Youth Without Drugs." The idea of forming such an organization came from an Icelandic travel club that organizes adventure trips for 16 to 25 year olds under the slogan "get high naturally." The PATH organization, headquartered in Reykjavik, seeks to promote the positive message that teenagers do not need drugs or alcohol to enjoy life. At the end of 2000, PATH had affiliated member organizations in 40 European countries, as well as the United States.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. As part of its preparations for participating in the Schengen free travel area, Iceland has sought law enforcement cooperation with the United States. This cooperation included bringing U.S. experts to Iceland to discuss counternarcotics experience, as well as sending Icelandic law enforcement officials to the U.S. to participate in international visitor programs and law enforcement training. An INS team came to Iceland in September 2000 to train 140 police and customs officers on detecting fraudulent travel documents, and in early 2001, a DEA team is scheduled to come to give a "jetway" course on how to identify false travelers.

Under a 1989 bilateral agreement, a Joint Information Coordination Center (JICC) was established in Iceland, which is designed to facilitate information exchange regarding small aircraft flying between the United States and Europe via Iceland. The JICC reports information about transiting planes to the El Paso Intelligence Center (EPIC), which, in turn, notifies the JICC whether derogatory information exists on that particular aircraft or its passengers. Iceland suspended its participation in the program in late 1999, but plans to start up again in early 2001.

The Road Ahead. The U.S. will continue to foster bilateral cooperation through its speaker, international visitor

and mobile training team programs. The U.S. Embassy in Reykjavik, in cooperation with DEA and legal attachés in Copenhagen, will also work to make the JICC mechanism more useful for both countries and to act on Iceland's specific requests for cooperation and assistance.

Ireland

I. Summary

The Republic of Ireland does not figure prominently in international drug trafficking, although increasing drug abuse among Irish youth continues to have a significant domestic impact. In 2000, the Irish government undertook a review of the National Drug Strategy. Another recent development, the Criminal Justice Act of 1999, provides for a mandatory minimum ten-year prison sentence for those convicted of possession with intent to supply drugs with a value of U.S. \$12,000 or more. Between the entry into force of this Act in May 1999 and November 20, 2000, 103 persons were charged with this offense. There have been no verifiable instances of Ireland being used as a transshipment point for narcotics sent to the U.S. Ireland is a party to the 1988 UN Drug Convention.

II. Status of Country

While most drug seizures within the Republic and off its coast appear to be destined for Ireland, it is commonly believed that Ireland is also a transit point for the shipment of narcotics destined for Europe. Ireland is not a significant source of illicit narcotics or precursor chemicals. Money laundering, although still relatively limited, has increased over the last few years.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Government of Ireland (GOI) policy in relation to drug abuse is essentially to deal with the problem on two levels. First, strong legislative measures backed up by tough law enforcement are intended to address the supply of drugs. Second, the GOI has adopted a multi-agency, partnership approach to address the issues of prevention and demand reduction. The GOI spent much of 2000 involved in a major review of its National Drug Strategy (NDS). A review group comprising senior officials from key government departments and the NDS Team are managing the review. Independent consultants were commissioned to assist with the review process, which included a nation-wide public consultation process over the summer months. The objective is to review the current NDS, identify any gaps or deficiencies, develop revised strategies and, if necessary, new structures through which to deliver them. The review will be submitted to the Cabinet Committee on Social Inclusion and later to the full Cabinet for approval. Officials anticipate completing the process and launching a revised strategy by early 2001.

Ireland also applied to join key provisions of the Schengen Arrangements. The proposed participation will allow for greater cooperation with the police services in other EU Member States, in relation to criminal investigations and prosecutions, as well as improving cooperation in preventive action.

Accomplishments. In addition to the policy initiatives discussed above, law enforcement efforts in Ireland in 2000 resulted in major drug seizures.

Law Enforcement Efforts. Ireland's new participation in the Schengen Agreement's provisions for closer EU-wide policing and customs cooperation is expected to enhance its counternarcotics efforts. For the period January 1, 2000 to September 30, 2000, significant (street value U.S. \$300,000 or more) drug seizures amounted to an estimated street value of around U.S. \$9.36 million.

In 2000, the Gardai Siochana (Irish police force) initiated a number of operations to tackle drug dealing at the street level. Between January 1, 2000 and April 16, 2000, one operation yielded drug seizures with an estimated street value of U.S. \$1.44 million and resulted in over 2,000 arrests.

Ireland has also been praised for its close and successful relationship with the Dutch police. (Much of the narcotics entering Ireland transit through Amsterdam, and most of Ireland's 13 known organized crime families have operations in Amsterdam.) A March 2000 cooperative effort, which received considerable media attention, resulted in the arrest of a number of persons in Amsterdam and Dublin and the seizure of firearms and drugs with an estimated street value of U.S. \$9.6 million.

Two items of concern are the lack of resources devoted to the interdiction of sea-borne smuggling and lack of follow-through on the 1999 Criminal Justice Act. This Act mandates a ten-year sentence for convictions involving narcotics with a value of over U.S. \$12,000. In the first half of 2000, six cases came before the courts and the mandatory sentence was not imposed in any of them. In each instance, the courts invoked the clause allowing for lighter sentences in cases of "exception and specific circumstances." The Minister for Justice, Equality and Law Reform intends to review the relevant provisions of the Act to assess their effectiveness.

1996 legislation permits the seizure of assets of those convicted of various crimes, including narcotics trafficking. Legitimate businesses can be seized if they are used to launder drug money or other criminal

proceeds. Any asset can be seized except for a "homestead exemption" that protects primary residences. Proceeds from seized assets are frequently donated to victims' funds and antinarcotics efforts. The law allows for criminal forfeiture without formal criminal charges being made, but does not permit civil forfeiture.

Corruption. There were no verifiable instances of police or other official corruption related to drug activities in 2000.

Agreements and Treaties. The U.S. and Ireland signed a mutual legal assistance treaty in January 2001. An extradition treaty between the two countries is already in force. Ireland is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Bilateral antidrug and anticrime agreements with the Russian Federation and the Republic of Hungary entered into force in 2000. Ireland signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Cultivation/Production. Cultivation of narcotics remains limited to small quantities of cannabis. There is still no evidence of domestic synthetic drug production capability.

Drug Flow/Transit. Irish authorities acknowledge that the Republic remains a "gateway" for imports of cannabis, cocaine, and amphetamines to continental Europe. The cocaine comes primarily from Colombia and other countries in Latin America and the Caribbean. Cannabis and amphetamine shipments originate in the Netherlands and eastern European countries. Ireland continues to receive heroin shipments via the U.K. and the Netherlands.

In 2000, Gardai continued to destroy narcotics networks in operation throughout Ireland. Concerns remain, however, that criminal/drug trafficking organizations are moving to more complex networks and distribution systems, including the involvement of non-Irish criminals.

Domestic Programs/Demand Reduction. The Framework for Social Inclusion and Equality, which was adopted in 2000, includes the provisions for increased funding to local drug task forces and urban areas where an emerging drug problem is evident. The Framework also provides to the Young People's Facilities and Services Fund support for young people at risk of becoming drug abusers. The Framework notes that in the context of the review of the National Drugs Strategy, workplace initiatives dealing with drug misuse will be considered. Finally, the Framework provides for the Department of Justice, Equality and Law Reform, in conjunction with the Gardai and the Probation and Welfare Service, to continue to develop programs for at-risk young persons

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The U.S. has pursued various policy initiatives in Ireland including encouraging Irish cooperation with U.S. law enforcement agencies, such as the DEA, and participation in international counternarcotics fora, such as the Dublin Group.

Bilateral Cooperation. U.S. and Irish counternarcotics officials furthered their close working relationship in both official and unofficial capacities throughout 2000. In addition to handling requests for investigative assistance and background information, officials were often involved in joint operations/investigations.

The Road Ahead. By supporting Irish efforts to counter drug trafficking, the U.S. can help ensure that Ireland does not become a transit point for narcotics trafficking to the U.S. and that Ireland's developing financial services market does not become a haven for money laundering. In pursuit of these objectives, the U.S. will continue to offer cooperation and assistance with Irish authorities in this field.

Italy

I. Summary

The Government of Italy (GOI) is firmly committed to the fight against drug trafficking. Italian organized crime groups continue to be involved in international drug trafficking and money laundering. The political turmoil in the former Yugoslavia and Albania has provided the perfect opportunity to establish relationships between Italian organized crime and Albanian criminal organizations. GOI cooperation with U.S. law enforcement agencies continues to be exemplary. Italy is party to the 1988 UN Drug Convention.

II. Status of Country

Italy is not a drug producing country. The last time a heroin processing laboratory was discovered was in 1985 in Sicily. Although there are no cocaine HCL processing laboratories in Italy, Colombians, Peruvians, and Italians have jointly set up conversion sites. In 2000, a conversion laboratory was seized in Milan, Italy. The cocaine base was contained in bean-shaped pellets.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Possession of small amounts of dangerous drugs is not a criminal offense in Italy. In

November 2000, in Genoa, Italy, the Italian Ministry for Social Solidarity held a conference on the fight against drug addiction. The conference dealt with several problems related to drug addiction such as AIDS, and legalization. Italy's Prime Minister announced that the GOI would not change the country's stringent antidrug laws. As of November 2000, the Direzione per i Servizi Antidroga (DCSA) (Antidrug Services Directorate) had 18 drug liaison officers in 17 countries. Italy is a major contributor to the UNDCP based in Vienna and contributed approximately \$9.5 million in 1999 to UN programs to combat illegal drugs and crime. Pino Arlacchi, an Italian, is in charge of UN drug control and anticrime efforts.

Accomplishments. During 2000, several major organized crime figures were arrested and their assets forfeited. Bank accounts (total amount approximately \$500,000) identified as owned by high echelon members of the Colombian Cali cartel were forfeited for the first time in Italy.

Law Enforcement Efforts. The fight against drugs is a major priority of each of the three police services coordinated by the DCSA, namely the Carabinieri (an armed service), the Polizia di Stato (State Police), and the Guardi di Finanza (Finance Police). The number of drug trafficking arrests slightly increased to 20,493 arrests in 2000, compared to 20,386 arrests in 1999. Drug overdose deaths decreased in 2000: 615 drug overdose deaths in 2000, compared to 811 in 1999. (Figures are not comparable, because the 2000 figures are only for the first ten months of the year.) In addition, below please find a comparison of drug seizures from 1999 and January 1, 2000–October 31, 2000 (as expressed in kilograms, except MDMA/ecstasy, which is expressed in tablet pills):

	2000	1999
Heroin (kg)	775	964
Cocaine (kg)	1,805	2,723
Marijuana (kg)	24,575	17,873
Hashish k(g)	14,424	15,698
MDMA (tablets)	486,890	160,665

Agreements and Treaties. Italy is a party to the 1961 UN Single Convention, the 1971 UN Convention on Psychotropic Substances, the 1972 Protocol and the 1988 UN Drug Convention. In December 2000, an international conference was held in Palermo, Italy, for the signing of treaty on transnational crime. The treaty must be ratified by a quorum of 40 countries before it comes into force. This new treaty will strengthen governments against serious crimes, including drug trafficking, money laundering, trafficking of human beings and arms trafficking. As a member of the European Union, Italy participates in the Dublin Group, UNDCP Pompidou group, Europol, the EU Commission, and attendant committees and **working groups**.

Cultivation/Production. There is no known coca bush cultivation in Italy. However, opium poppy grows spontaneously in the southern part of Italy and the island of Sicily. It does not present a threat due to the low alkaloid content.

Drug Flow/Transit. Italy is a consumer and transshipment country. It is a major transit point for heroin coming from Southwest Asia destined to other European countries. The Balkan route is a heavily utilized shipping route. During 2000, heroin and cocaine seizures in Italy have declined. Heroin and cocaine are smuggled into Italy via boats and overland via trucks. In smaller quantities it is transported via couriers or air express parcels. Italian authorities have reported an increase in the use of MDMA/ecstasy, which is mostly imported from The Netherlands.

Domestic Programs. The Italian Ministry of the Interior reports that Italy has 552 public health departments operated by the Ministry of Health. According to the Ministry of Health, there are 500,000 drug addicts in Italy,

of which 140,000 are provided rehabilitation services at public centers. Approximately 20,000 addicts receive rehabilitation services from privately financed centers.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. and Italy continue to enjoy exemplary cooperation regarding counternarcotics efforts. U.S. and Italian law enforcement authorities carry out numerous joint operations against drug traffickers, money launderers, and organized crime. In September 2000, the U.S. and the GOI sponsored the third Global Conference on Drug Prevention at which 650 delegates from 74 countries came out strongly against harm reduction and any form of drug legalization. Members of the Italian cabinet also attended and sponsored various events. This Conference, funded in part by the U.S. Department of State, resulted in the creation of the first ever "international drug prevention network" to help countries develop positive demand reduction programs, fight legalization, and increase the political and social will to fight drug use.

The Road Ahead. U.S.–Italian cooperation against narcotics will be strengthened even further, and Italy will continue as a key link in the effort against narcotic drug abuse and trafficking.

Kazakhstan

I. Summary

Kazakhstan is not a major producer of narcotics, but is an important transit route in Central Asia for opium and heroin from Afghanistan going to Russia and Europe and precursor chemicals going to Afghanistan. Kazakhstan legally produces acetic anhydride for export to Russia and other countries in the region; however, the chemical is a heroin precursor and is illegally diverted to Afghanistan. While highly motivated to move against the narcotics industry, the Government of Kazakhstan (GOK) is hampered by numerous resource and coordination problems. Drug abuse continues to increase, with a drop in the average age of abusers. With the assistance of the UN Office of Drug Control and Crime Prevention (UNODCCP), foreign countries and non-government organizations (NGO's), some positive steps have been made, including creation of a Drug Information Center. Seizures appear to be on the rise based upon information from that center. Kazakhstan is a party to the 1988 UN Drug Convention.

II. Status of Country

Trains through Kazakhstan continue to be the most popular means of smuggling drugs to Russia and from other Central Asian countries. Law enforcement officials are arresting more under-aged traffickers than in the past. The official number of drug abusers is approximately 37,408, but authorities estimate the real number to be 7–8 times higher. Increasing numbers of children (1,946) and women (3,488) were arrested during 2000 for drug abuse. Marijuana and heroin are the drugs most often abused. The increase in heroin trafficking has led to an increase in heroin abuse and addiction. Intravenous drug abuse is still on the rise, adding to the problem of HIV positive tested citizens. UNODCCP has started needle exchange programs in an attempt to decrease shared needle usage. Local law enforcement officials note that synthetic drugs are still a growing problem, especially in nightclubs.

III. Country Actions Against Drugs in 2000

Policy Initiatives. President Nazarbaeyev issued a decree in April implementing measures to improve anticrime and corruption efforts. He disbanded the State Commission on the Fight Against Corruption, and placed its responsibilities directly under the Presidential Administration. In August, the GOK approved a unified chemical control list, including dual use precursors, to be used to control all exports and imports.

Accomplishments. With the assistance of the UNODCCP, the Prosecutor General's office created the Drug Information Center (DIC) and required all agencies involved with narcotics to report to it monthly. The GOK signed an agreement with the Government of Germany to provide dog narcotics detector training.

Law Enforcement Efforts. During the first nine months of 2000, 20,062 drug related criminal cases were opened, according to official reports from the DIC—five times more than last year's approximately 4,000 cases. Seizures of 7.9 tons of drugs included 134 kilograms of heroin, 74 kilograms of opium, 7.4 tons of marijuana and 154 kilograms of hashish. Also seized were 4,991 kilograms of precursor materials. The police, under the Ministry of Interior, carried out most of the seizures, with the National Security Committee, Customs Committee and Tax Police together accounting for about 2 percent of the seizures. Law enforcement operations continue to suffer from lack of equipment, resources and technical expertise. Progress on improving interagency cooperation has been slow. The lack of interagency communication and coordination has hampered controlled deliveries within Kazakhstan. However, the DIC reported that Kazakhstani authorities had cooperated with Russian counterparts on controlled deliveries in 60 cases, permitting the shipment across the Russian border to expose the recipient.

Corruption. Corruption remains a problem, which the GOK has acknowledged and taken steps to combat. The president issued a decree implementing measures to improve anticorruption efforts and placed responsibility

for fighting corruption under the direct supervision of the Presidential Administration. Disciplinary actions for those guilty of corruption were developed by the end of the year.

Agreements and Treaties. Since 1998, the GOK has been a party to the 1988 UN Drug Control Convention, the 1961 UN Single Convention and its 1972 protocol and the 1971 UN Convention on Psychotropic Drugs. It has signed bilateral agreements with South Korea, Russia, and Pakistan on counternarcotics cooperation and renewed cooperation agreements with neighboring Central Asian countries. Kazakhstan signed the UN Convention Against Transnational Organized Crime in December 2000.

Cultivation and Production. Opium poppies and cannabis are grown more for personal use than illicit sale. Traffickers still find opium and heroin smuggled from Afghanistan cheaper, purer and more potent than locally produced opiates. While Kazakhstan is an important cannabis producer, this production does not significantly affect the U.S. However, it remains a country of concern to the USG. Ephedra grows wild in mountainous areas of southern and western Kazakhstan. Legal ephedra products are very profitable. The Drug Control Agency plans to combat the illegal use of ephedra with the licensing of the manufacturers of ephedra products and to treat ephedra, from a legal standpoint, as a dual use substance.

Drug Flow/Transit. Kazakhstan continues to be used for the transshipment of precursor chemicals, mainly acidic anhydride, from Russia, China and other countries for the illicit production of heroin in Afghanistan. Drug traffickers continue to use adolescents or the elderly to smuggle drugs, primarily opium and heroin, in and out Kazakhstan.

Domestic Programs/Demand Reduction. The GOK initiated a public awareness campaign in 2000 via radio and television against the use and trafficking of narcotics. Training of local schoolteachers in an antidrug education curriculum continued. The GOK and UNODCCP continued to work with drug treatment programs. Insufficient funding limited program services. Support from local officials for non-profit treatment programs helped fill the void

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In 2000, the USG provided 18 counternarcotics and law enforcement training courses to over 250 Kazakhstani law enforcement officials, prosecutors and judicial officials. In addition, a regional FBI Legal Attache Office was opened in Kazakhstan and a resident legal advisor was assigned to Almaty.

The Road Ahead. The USG will continue to support and cooperate with UNODCCP to encourage full implementation of the GOK's plan for the control of illicit drugs and organized crime and encourage increased support from the European Union and individual European countries. Pending signing of a bilateral assistance agreement, the USG will continue to provide training and other assistance for law enforcement officials, including judicial and prosecutorial officials.

Kyrgyzstan

I. Summary

Kyrgyzstan is not a major producer of illicit narcotics, although it is an important transit avenue for drugs from Afghanistan to Russia and Western Europe. The technology and ability to produce opium, as was done during the Soviet era in Kyrgyzstan, remains in place but is not used. A potent strain of marijuana grows wild in Kyrgyzstan. The Government of Kyrgyzstan expresses a willingness to combat illegal drugs transiting Kyrgyzstan but its law enforcement entities have not made any significant seizures or arrests in the last year. Drug abuse is rising among all ethnic groups within Kyrgyzstan. In 1994, Kyrgyzstan became a party to the 1988 UN Drug Convention.

II. Status of Country

Tajikistan's internal chaos has helped make Kyrgyzstan an attractive onward route for illegal narcotics because of their shared unprotected border. The southern provincial city of Osh continues to be a hub for the passing of illegal narcotics through Kyrgyzstan.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Kyrgyzstan is making efforts to increase control over its borders with Tajikistan and Uzbekistan. Law enforcement agencies continue to make narcotics trafficking a priority, with a major focus on border control. The primary goal of border control for Kyrgyzstan is to prevent future incursions by the insurgents from Tajikistan from destabilizing southern Kyrgyzstan.

Law Enforcement Efforts. In the first ten months of 2000, seizures of heroin, opium, hashish, marijuana, and opium straw totaled 1,517,756 kilograms, as reported by the Kyrgyz State Drug Control Commission, as compared to a 1999 total of 1,895,211 kilograms of heroin, opium, and cannabis. Antidrug units of the Ministry of Internal Affairs (MVD) continue to be undermanned and underfunded. The arrests made by the police are always couriers, but never suppliers.

Corruption. Corruption is a widely acknowledged problem in Kyrgyzstan and there is no reason to believe that those agencies involved in counternarcotics enforcement or other government officials are immune to it.

Agreements and Treaties. Kyrgyzstan is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. It is also a party to the Central Asian Counternarcotics Protocol with the UN. Kyrgyzstan has extant extradition statutes; however, there is no known instance of extradition relating to drug charges. Kyrgyzstan and the U.S. do not have a bilateral extradition or mutual legal assistance treaty. Kyrgyzstan signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Cultivation and Production. There are indications that opium poppies continue to grow wild and are cultivated in insignificant amounts for illicit purposes. Government officials estimate that as much as 40,000 hectares of land might be under cannabis cultivation. This cannabis is either consumed locally or exported to neighboring countries and does not significantly affect the U.S. Nevertheless, Kyrgyzstan remains a country of concern to the USG.

Drug Flow/Transit. Because of its border with Tajikistan, Kyrgyzstan has become an important transit route for opium and heroin from Afghanistan to Russian and Western European markets.

Demand Reduction. In the first half of the year, the Kyrgyz State Drug Control Commission produced a series of infomercials about drug addiction and aired them on the local television stations. This was a coordinated effort with the MVD. Drug use has increased, but there are no official estimates of drug use. There are also no hospitals that offer drug treatment.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Kyrgyzstan received U.S. training assistance in counternarcotics and law enforcement. It has also cooperated with UNDCP, especially in the area of improving the Customs Service ability to detect illegal narcotics shipments. The U.S. and other countries are contributing materiel and training to the Government of Kyrgyzstan for border control. While the Kyrgyz authorities expressed a desire to work with U.S. law enforcement agencies in an operational basis on the drug problem, this past year saw no involvement by American law enforcement agencies working with their counterparts in Kyrgyzstan aside from participating in training.

The Road Ahead. The U.S. will continue to support counternarcotics and law enforcement training and equipment through a bilateral agreement. Regional efforts are a major part of cooperation and will continue to be supported by U.S. contributions to UNODCCP projects that include Kyrgyzstan.

Latvia

I. Summary

The abuse and trafficking of illegal drugs continues to rise in Latvia. Of particular concern is the increasingly widespread availability of heroin. In cooperation with NGO's and the international community, Latvia is working on a demand reduction program specifically aimed at young people. The UNDCP maintains its regional office in Riga and chairs the regular meetings of the Mini-Dublin Group. The U.S. and the EU, provide many assistance and training programs to the Government of Latvia (GOL) to address law enforcement and narcotics problems. Latvia is a party to the 1988 UN Drug Convention.

II. Status of Country

Drug abuse continues to increase in Latvia. First time registration for drug addicts increased from 410 for all of 1999 to 487 for the first ten months of 2000. Of these, 90 percent were registered as being addicted to opiates. In the first nine months of 2000 there were 422 criminal cases involving either possession or trafficking in drugs as compared to 337 for the same period in 1999. There has also been a significant increase in the number of drug addicts contracting HIV through intravenous drug use.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In October, the Latvian City Union adopted a resolution to be submitted to the government asking for changes in legislation regarding preventive measures that should be taken on the part of city councils in fighting the production, sale and distribution of drugs and psychotropic substances.

Accomplishments. As a first step toward combating the increasing problem of drug abuse in Latvia, the Riga Narcotics Prevention Center has produced the first in-depth study of drug availability in Latvia. The Center has also established Latvia's first 24-hour drug crisis hotline, as well as a web site, where people with drug problems can receive confidential advice and counseling.

Law Enforcement Efforts. Law enforcement authorities are currently more concerned about cross-border drug

trafficking than local production. At the highest levels of government Latvian law enforcement agencies attempt to cooperate, but this working relationship weakens in the field. Much of the problem stems from limitations in the organizational structure and lack of financial, material and human resources. Less than five percent of the country's 1,700 customs officials deal with border crossing. And, despite their size and close proximity, law enforcement cooperation between the Baltic States is weak, often depending on personal relationships.

Cultivation and Production. Drug production is not a significant problem in Latvia. To date, there is no evidence of either amphetamines or ecstasy production in Latvia. The minor cultivation of opium poppies on small private plots is fairly common. As a rule, however, the poppies are grown as an herb, rather than for their narcotic qualities. In July, however, 40 tons of poppies were seized and a criminal case initiated. Also, in October, two men were arrested for selling 50 kilograms of poppy seed straws. In general, however, low prices and general availability make it unprofitable to either grow or produce drugs in Latvia.

Drug Flow and Transit. There is growing evidence that drugs, primarily opiates, are moving from Afghanistan to the Balkans, up through Poland and from there, through the Baltics and on to Scandinavia. Most drug smuggling involves organized crime elements that are already involved in cigarette and alcohol smuggling into and through Latvia and other Baltic States. Evidence in the form of minor seizures seems to indicate that the flow of drugs to Scandinavia through Latvia remains small.

Within Latvia, drugs appear to be distributed through local networks. According to both law enforcement and press reporting, much of the Riga drug scene centers on a few popular nightclubs and, allegedly, a few open-air drug markets. Precise information on these drug markets is sketchy at best. That said, small-scale dealers are able to operate relatively freely due to apparent weaknesses in the law regarding small amounts of drugs. Typically, small-time dealers are kept in detention for very short periods following arrest, and continue their activities upon release.

Demand Reduction. Teenagers have been identified as the main target for drug demand reduction efforts. Illegal drugs, particularly heroin, tend to be relatively inexpensive. According to law enforcement sources, the average price of a single dose of heroin is 2 Lats (approximately U.S. \$3.20), or less than the price of a Big Mac at the local Macdonald's. With the average addict requiring six doses per day, a heroin habit is currently within the reach of Riga's affluent youth. As a part of this program, the government has organized a number of training programs for drug prevention and treatment professionals, and drug awareness campaigns have been carried out in the schools. Latvia has worked with EU PHARE to provide a series of seminars designed to raise the awareness of government officials, producers and distributors on precursor chemical control issues.

Agreements and Treaties. A 1923 extradition treaty supplemented in 1934 remains in effect between Latvia and the United States. Latvia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Latvia signed the UN Convention Against Transnational Organized Crime in December, 2000.

IV. U.S. Policy Initiatives and Programs

Multi-Lateral Cooperation. Over the last year the U.S.G. has funded a variety of training programs designed for police, customs, and judicial authorities. The EU has also provided aid programs aimed to strengthen local law enforcement's ability to collect and analyze credible information on supply and demand.

Lithuania

I. Summary

Lithuania has become a part of the major transit route for heroin from Asia to Western Europe. Production of synthetic narcotics in Lithuania advanced substantially, some of which are exported. Heroin has become the drug of choice in Lithuania, becoming more widespread and twice as cheap to purchase than in the previous year. Narcotics sales continue to increase nearby and inside secondary schools, a response to the growing demand Lithuanian urban youth. Law Enforcement has reported an increase in the number of narcotics trafficking cases.

II. Status of Country

In the past year, the demand for synthetic narcotics and precursor chemicals in Lithuania has increased, just as sophisticated laboratories for amphetamine production appeared. Investigation and arrest statistics show that heroin has become the drug of choice, and that its price decreased from U.S. \$8-10 to five U.S. dollars per dose. Young people are getting involved in narcotics use and trade at an earlier age. The narcotics supply and distribution network is sophisticated. The use of narcotics is concentrated in a few big cities. The number of narcotics-related crimes committed by groups and drug users is increasing, as is the number of repeated crimes.

III. Country Actions Against Drugs In 2000

Policy Initiative. Due to the substantial increase in narcotics use, the GOL ordered an evaluation and stepping up of the drug prevention program for 1999–2003. This new program is directed toward improving overall counternarcotics policy, increasing the control of narcotics contraband and trade, increasing the control of precursors and psychotropic substance use, increasing preventive education and cure of narcotic addicts, and strengthening rehabilitation and social integration of narcotic addicts. Critics feel the program focused too much on health care rather than on prevention of narcotics use, and it is not comprehensive. As a positive development, experts note rapidly rising public awareness of the hazards caused by narcotics. Government agencies and NGOs initiated a series of public awareness campaigns throughout 2000.

Accomplishments. In June 2000, amendments to the criminal code were passed to increase the penalty for production of prohibited narcotics (amphetamines, ecstasy) with the aim to distribute them. In July 2000, recommendations were drawn up for determining differences between small and large amounts of narcotics discovered. The Interior Ministry is preparing amendments to the code, which would allow for increasing the penalties for distribution of narcotics among the young persons. The Interior Ministry is also working on coordinating of counter narcotics activities, and drafting instructions for the destruction of seized narcotics.

Law Enforcement Efforts. During the first ten months of 2000 law enforcement reported a 37.6 percent increase in narcotics–related crimes, the majority of which were related to the purchase and possession of narcotics for individual use and trade in narcotics. Although Lithuanian law enforcement agencies are aware that Lithuania is being used for narcotics transit, there were only four cases of narcotics smuggling registered in 1999 and six cases in 2000. Local experts believe that all elements necessary for effective counternarcotics activities are present in Lithuania, however, some agencies are weaker than others are and the whole system is poorly funded. Police note that they lack personnel and special equipment to fight narcotics–related crimes more effectively.

Despite being understaffed, in need of practical training and experience and operating on very limited funding, Lithuanian law enforcement made substantial efforts to fight narcotics crimes in 2000. The Custom's Department responded to the increase in narcotics trafficking by creating a counternarcotics division. Lithuanian law enforcement carried out several successful joint narcotics seizure operations with law enforcement agencies of Germany, Netherlands, Poland, Latvia, the Russian Kaliningrad enclave, and Sweden. Also, law enforcement successfully shut down four laboratories responsible for the production of amphetamines and ecstasy, confiscating 16 kilograms of amphetamines and precursors and detaining more than ten persons. The laboratories were well equipped, efficient, and produced drugs for export.

Corruption. The U.S. is unaware of any official narcotics–related corruption in Lithuania.

Cultivation and Production. Until 1998, most popular narcotics were cheap "local" narcotic substances, such as intravenous opium extract produced from locally grown poppies or "Ephedrone" (or Pervitine) made from medications containing ephedrine. With a rise in the standard of living, new types of drugs, primarily synthetic, appeared on the market. In 1999, the use of heroin doubled, and it further increased in 2000.

Drug Flow and Transit. In 2000, narcotics transit routes through Lithuania have changed. The export of poppy straw from Lithuania to the Russian enclave of Kaliningrad and Latvia is decreasing. Marijuana and hashish now arrives in Lithuania from the east and from the west, by land and by sea. Heroin arrives in Lithuania via Russia from Afghanistan. Cocaine is being transported to Lithuania from central and South America via Germany and the Netherlands. Most amphetamines arrive in Lithuania from Poland and the Netherlands, but they are increasingly being produced locally as well. The police claim to have reliable information that Lithuanian–produced pills are exported to Russia and Sweden, and perhaps some other countries.

In an effort to expand the market, narcotics traders increased their activities nearby and inside secondary schools. The use of marijuana, ecstasy, LSD, and amphetamines unfortunately is considered an integral part of the alternative youth sub– culture, gradually leading to the use of stronger narcotics. Increasing proportions of young people try heroin first. The number of those who try drugs among 15–16 year–old pupils is growing rapidly. As a result, Lithuania is catching up to western countries fast in overall drug use, production and distribution.

Demand Reduction. In 1997 Lithuania passed a law on narcological supervision which provides narcotic addicts with the right to confidential health care and social services. Anonymous consultation and needle/syringe replacement offices were started in 1997 and presently operate in all major cities. These efforts have resulted in somewhat better contact with drug users on the social fringes, and in the slower spread of HIV infection in Lithuania. The methadone treatment programs have been started in major cities since 1995. Approximately 35 percent of the officially registered drug–dependent individuals had access to treatment and rehabilitation. Law enforcement has contributed to the effort by staging annual operations to educate the population.

There are more than 3,000 officially registered narcotic addicts in Lithuania. However, according to police

estimates, over 30,000 out of 3.7 million of Lithuania's inhabitants consume narcotics, and about half of them live in the capital Vilnius. Over 90 percent of drug dependency cases in Lithuania are intravenous drug users. According to the Lithuanian AIDS center, from 1997 to September 2000, the number of HIV cases among intravenous drug users grew from one to 154 (this accounted for 60 percent of all HIV cases). According to the most recent data available from the Vilnius public health center, 44 percent of Hepatitis C infected patients in Vilnius admitted being intravenous drug users.

Treaties and Agreements. Lithuania is a party to the 1961 U.S. Single Convention as amended by the 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. A 1924 extradition treaty supplemented in 1934 is in force between the U.S. and Lithuania. A bilateral mutual legal assistance treaty entered into force in 1999. Lithuania signed the UN Convention Against Transnational Organized Crime in December, 2000.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. will continue to support GOL in a variety of programs focused on strengthening law enforcement bodies and drug control programs in an effort to improve border security and anti-smuggling efforts. The U.S. has offered training to Lithuania law enforcement agencies in illegal narcotics-related areas, such as land and maritime border control, anti-money laundering and combating organized crime.

The Road Ahead. The U.S. will continue to assist Lithuania in meeting its obligations associated with ratification of the 1988 UN Convention, and to support Lithuania's inclusion in programs aimed at the Baltic region. Already an advanced drug enforcement school training program, a narcotics interdiction course, assistance to combat money laundering, and clandestine laboratory investigation training are planned for 2001.

Luxembourg

I. Summary

The Government of Luxembourg (GOL) is committed to deterring the flow of drugs into the country and within its borders. Illicit drug production does not pose significant problems for the country, although reports document an increase since 1996 in the amount of drugs entering into the Grand Duchy. GOL authorities believe there are relatively few hard drug users in Luxembourg for now, but remain concerned about the potential for increased drug use, particularly among adolescents. Luxembourg is party to the 1988 UN Drug Convention.

II. Status of Country

Luxembourg, based on an official study from 1995, has continued to estimate that 0.5 percent of Luxembourg's population (roughly 2,300 people) are hard drugs users. The GOL's 2000 report on narcotics, a collaboration between the Ministries of Health and Justice, found that the number of drug users has increased since 1997 based on data from governmental and non-governmental organizations assisting addicts. In addition, the 1995 statistic does not track with the European Commission's estimate that seven per 1,000 inhabitants in Luxembourg use drugs, giving the Grand Duchy the highest number, per capita, of drug users within the European Union.

The GOL reports that the open borders with neighboring countries are responsible for the increased flow of drugs into Luxembourg and have made it more difficult to stem the tide. Some 90 percent of illicit drugs consumed in Luxembourg are brought into the country from other European countries, such as the Netherlands. The Grand Ducal police force has a narcotics division that consists of 11 officers.

Luxembourg is a major world financial center, hosting more than 200 international financial institutions that benefit from strict bank secrecy laws and operate an unrestricted range of services and activities. Nonetheless, Luxembourg plays an active role in the EU against money laundering.

III. Country Action Against Drugs in 2000

Policy Initiatives. Based on the GOL's 1999 declaration that defines drug addiction as a medical and social risk, the GOL increased the Ministry of Health's 2000 budget for fighting drug use from 46 million LUF to 86 million LUF and projects to raise the 2001 budget to 127 million LUF. The GOL in 2000 also appointed a national drug coordinator in compliance with a European Union directive. The Ministries of Health and Youth are preparing for a multimedia information and prevention campaign against drugs to begin in early 2001. The Grand Ducal Police decided to add one more office to its narcotics division starting in 2001.

Agreements and Treaties. Luxembourg is a party to the 1988 UN Drug Convention and cooperates closely with the USG in the fight against drugs and money laundering. The GOL ratified in 2000 a bilateral Mutual Legal Assistance Treaty with the United States which provides an enhanced framework for taking action against

drug traffickers operating in the Grand Duchy. Luxembourg frequently collaborates with the World Health Organization, Europol, other Benelux governments, and EURO-AST, a German, French and Luxembourgish association to help drug addicts. In 2000, Luxembourg signed the UN Convention Against Transnational Organized Crime and its protocols.

The Road Ahead. The GOL favors treatment of drug use in lieu of punishment. This philosophy, and the fact that neighboring countries, including the Netherlands and Belgium, are increasingly decriminalizing drug use, render likely the possibility that Luxembourg could, one day, follow suit and relax some of its antidrug vigilance.

Macedonia, Former Yugoslav Republic of

I. Summary

Former Yugoslav Republic of Macedonia is not a major producer or transit point for illicit drugs; however, it remains a country of concern to the United States. Illicit drug trafficking and/or interdiction increased dramatically during 2000. Compared to last year, the number of criminal offenses increased by 45.5 percent while the number of individuals involved increased by 34.5 percent. Loosened border restrictions and inadequate frontier regimes in Kosovo and Albania permit traffickers to move drugs more easily across those borders. The flow of drugs being smuggled into Western Europe through Macedonia increased with the continued use of the shorter and more direct east-west link and the reestablishment of the traditional Balkan "Drug Road" (Sofia-Dimitrovgrad-Belgrade-Western Europe). The increased flow of drugs through Macedonia has also contributed to domestic consumption and local drug trafficking. Macedonia is a party to the 1988 UN Drug Convention.

II. Status of Country

Macedonia is a transshipment point for drug trafficking between Turkey and Western Europe and recently one between Albania and Kosovo and Western Europe. Marijuana from Albania is smuggled into FYROM. In 2000, illicit narcotics trafficking increased along all links through Bulgaria, Albania and Kosovo. Increased movement of drugs to and from Kosovo indicates that Kosovo has increased importance both as a market and a production area. The main reasons cited for the sharp rise in narcotics trafficking include a lack of resources available to interdict illegal drugs, better organized criminal elements operating in Macedonia from Albania and Kosovo, and more-open border crossings.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Ministry of Interior undertook an active counternarcotics program in 2000. The process of establishing an effective counternarcotics unit continues. Presently, there is an operational counternarcotics unit at the national and local levels, where the firearms and the drug enforcement units work jointly. The Ministry of Interior is actively involved in the Interpol/Pro-Balkan program and the SECI Regional Crime Center in Bucharest.

Accomplishments. The Government of Macedonia developed legislation to permit interception of telephonic communication. The law is awaiting parliamentary approval and required adjustments to the constitution. Currently, it is illegal for Macedonian law enforcement agencies to use communication interception. Police and customs authorities may only seize vehicles involved in drug trafficking.

Law Enforcement Efforts. In 1999, the Ministry of Interior opened nearly 300 illicit cultivation and production related cases. The activities of the Ministry of Interior resulted in the following seizures in 2000: one ton and 323 kilograms of marijuana, 90.37 kilograms of heroin, 427 kilograms of hashish, 27 kilograms of opium, 4.689 kilograms of cocaine, ten liters of acetic anhydride, and 280 "Ecstasy" pills. Twice the amount of drugs was seized in 2000 compared to 1999. The growth of illegal trade in drugs has been accompanied by a coincident increase in number of drug addicts. Approximately 4,000 addicts have been registered, as required by Macedonian law. So far this year, there are 500 newly registered addicts, which reflects an increase of 15.6 percent compared to last year. Drug overdoses claimed the lives of 11 individuals in 2000. In the same period, authorities brought 43 cases of narcotics trafficking against 50 individuals locally, and seized small amounts of associated drugs.

Based on information relating to quantities seized, the number of individuals arrested, the number of groups identified involved with illicit production and/or trafficking in drugs, as well as the number of individuals abusing drugs indicates that negative trends are accelerating and that illegal trade in narcotics and related crime is on the increase in Macedonia. In addition, efforts at interdiction are improving, leading to larger numbers of police actions.

The Ministry of Interior undertook a number of operations and technical measures to enforce and discover the illegal trade in drugs and precursor chemicals. As a result, 300 criminal offenses of "illegal production and trafficking in narcotic drugs, psycho-active substances and precursors" have been filed, involving 477

perpetrators.

Agreements and Treaties. Macedonia is a party to the 1988 UN Drug Convention. Extradition between Macedonia and the United States is governed by a 1902 extradition treaty between the U.S. and Yugoslavia, which applies to Macedonia as a successor state. Macedonia signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Illicit Cultivation/Production. Macedonia is not a major cultivator or producer of illicit narcotics. There is legal opium poppy cultivation that is strictly controlled. Production is by individual farmer–contractors or larger state–controlled agricultural combines. Alkaloid, the only factory in Macedonia that processes opium poppy, provides registered contractors with poppy seeds and buys out the poppies and poppy straw. There have been no reports of diversion. Production is reported to the Macedonian Ministry of Health and through the Ministry of Interior to the INCB (International Narcotics Control Bureau) in Vienna. There are no reports of local illicit production or refining of heroin. Some recent cases under investigation have given rise to suspicion that there is an illegal packing facility in Macedonia, but no arrests have been made. There is some unknown quantity of illicit cultivation of cannabis, mainly for personal consumption. The government has an active program against illicit drug–related cultivation.

Demand Reduction. Of the total of 3,432 registered drug addicts in 1999, 2,978 were men and 454 were women. Public awareness programs are scarce and supported primarily by international non–governmental organizations. There have been some efforts by NGO's to begin prevention programs, but these are also limited and ineffective. Limited treatment of addicts is financed by the state. Addicts are given methadone on the basis of a certificate confirming that they are receiving treatment in state–owned institutions.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. A non–resident DEA Country Attaché has been accredited in Macedonia since 1997. The U.S. encourages antidrug support from those nations, primarily in Western Europe, most directly affected by the drugs associated with this region. In 2000, the U.S. provided a precursor chemical training seminar for drug enforcement officers. The improving political situation in the region has resulted in improved cooperation between the Macedonian police and foreign police services of the countries with which Macedonia has bilateral cooperation agreements. Limited, yet important and successful, cooperation has been coordinated by the DEA office in Athens within neighboring countries. Improved cooperation with Greece, in particular, has resulted in a growing number of successful cases.

The Road Ahead. The increasing trend of illegal drug trade in the region is expected to rise, along with increasing activity of organized crime groups. Based on this projection, the Ministry of Interior will continue to emphasize all aspects of enforcement. The U.S. will continue encouraging Macedonia to expand its drug control activities, enact antidrug legislation, and to improve its counternarcotics enforcement capabilities. In 2001, the U.S. will also provide training programs and some equipment to Macedonia.

Malta

I. Summary

Malta is not a producer of illicit drugs nor is it a major transit route. However, it has the fourth largest ship registry in the world and large freeport container operations that may be used for transfer of shipments by narcotics traffickers. Drug abuse among Malta's youth is primarily of heroin and ecstasy. Law enforcement agencies have full government and popular support for their continuing efforts to combat drug related crime. Malta is a party to the 1988 UN Convention on Drugs.

II. Status of Country

Malta is not a major narcotics producer or trafficker. However, the Government of Malta (GOM) is concerned over individual use, which is on a steady increase, and over limited–scale (but increasing) local drug trafficking. The drug problem in Malta tends to involve the sale and use of consumer quantities of illegal drugs. The police and the armed forces routinely attempt to interrupt these activities. Maltese authorities also attempt to prevent the movement of drugs through the airport and the sea terminal. Although monitoring the movement of drugs through the freeport has proved difficult because of the high volume of containers moving through, the authorities have shown they can act decisively when notified by foreign law enforcement authorities of transshipment attempts.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOM continues to place great importance on aggressively combating drugs and drug–related problems and has actively pursued illegal drug operations.

Accomplishments. Over the past two years, the GOM appointed an assistant police commissioner for drug–related matters and created a force exclusively dedicated to the fight against drugs, the National Drug

Intelligence Unit (NDIU). In August 2000, the GOM authorized and supported a USG/multinational request to board and exercise jurisdiction over the M/V "Suerte I," a Greek-owned Maltese-flagged vessel. The vessel was escorted to Houston, Texas, where it was seized for alleged drug smuggling. As a result of this incident the GOM requested a bilateral maritime counternarcotics cooperation agreement, which is under negotiation.

Law Enforcement Efforts. For the first 11 months of 2000, the Maltese police conducted 623 raids/searches, resulting in the seizure of 5,165 ecstasy pills, 28 kilograms of cocaine and 5.6 kilograms of heroin. The quantity of ecstasy seized during this period was 10 times the amount for 1999 and the quantity of heroin was three times the amount for 1999. The efforts of the new assistant commissioner for narcotics and the NDIU have resolved some coordination problems that existed between the various agencies combating drug trafficking and drug abuse (the police, the NDIU, customs, the military and SEDQA (a national organization dedicated to drug and alcohol rehabilitation)).

Corruption. Malta has appropriate laws governing official corruption. There is no evidence of any problems related to or associated with corruption of public officials due to illegal drug activities.

Agreements and Treaties. There is no extradition treaty between the U.S. and Malta, who continue to use an extradition agreement between the United Kingdom (Malta's former colonial power) and the USG, signed in 1934 and applicable to Malta as of 1935. At its request, the GOM is negotiating with the USG on a new bilateral extradition treaty, a Mutual Legal Assistance Treaty (MLAT), and a bilateral Maritime Counternarcotics Cooperation Agreement. Negotiations on a bilateral Customs Assistance Agreement were completed and the Agreement is scheduled to be signed in March 2001. Malta is a party to the 1988 UN Convention on Drugs and has ratified the Council of Europe convention on money laundering.

Cultivation/Production. There is no known cultivation or production of narcotics in Malta.

Drug Flow/Transit. Malta's drug problems involve the importation and distribution of consumer-sized quantities of illegal drugs. At present, there is no indication that Malta is a major trafficking location. However, drug movements through the Malta freeport are impossible to quantify and probably occur.

Domestic Programs/Demand Reduction. SEDQA, a government-funded agency, deals with all aspects of drug and alcohol abuse. The agency runs awareness and drug education programs in the school system and also organizes programs for parents at the agency's headquarters. SEDQA also develops and runs local TV commercials on drug awareness and education issues. CARITAS, a Catholic Church affiliate, is also very active in drug education/awareness programs in Malta. A nation-wide European values study in 1999 indicated that 81 percent of the Maltese population consider drug abuse to be a serious problem, compared with 43 percent in 1984.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. Although there are no USG policy initiatives specifically involving Malta, except for previously- mentioned proposed extradition and cooperative treaties, the USG continues to pursue its overall policy of close cooperation among law enforcement officials on drug related issues and to provide training where possible.

Road Ahead. The USG will continue to work with law enforcement entities and encourage the excellent cooperation of the Maltese authorities whenever necessary to work on illegal drug issues of mutual interest and concern.

Moldova

I. Summary

Moldova initiated a Service to Fight Against Illegal Traffic in Drugs at the Ministry of Internal Affairs in 1999. While this office is small and equipment is limited, they have made inroads during the year 2000 in the fight against narcotics. The Service has endeavored to serve as a training and information resource center for regional police operations against narcotics. The amount of illegal narcotics reported as seized by law enforcement officers during the year 2000 has risen. Low per capita income continues to make Moldova a relatively unattractive market for narcotics. Nevertheless, drug use and the number of individuals addicted to drugs are reported to be on the increase in Moldova. The country is not a significant narcotics producer. In the year 2000, the United States has provided courses of instruction aimed at improving law enforcement techniques in the area of drug enforcement. The United States has also supported visits of experts who consult with state institutions on the prevention of money laundering, border control and the fight against organized crime and corruption. Moldova is party to the 1988 UN Drug Convention.

II. Status of Country

The geographic position of Moldova produces a climate that is favorable for opium poppy and hemp cultivation, particularly in the northern region. Cultivation is not reported as extensive and usage is currently

reported to be confined to local consumption and consumption in directly neighboring countries. Importation of synthetic drugs (i.e., ecstasy and heroin) is reported to be on the increase, as is the importation of cocaine, but cost factors confine these drugs to a limited audience. Moldovan traffickers are closely connected with those in Ukraine and Romania. Despite limited law enforcement resources, seizures of drugs are on the increase. This might also be interpreted as an indication that transshipment of drugs through Moldova is also on the increase.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Moldova continues to endeavor, despite resource constraints, to meet its obligations under the 1988 UN Drug Convention and other international agreements to which it is a party. In 1999, the Service to Fight Against Illegal Traffic in Drugs became independent of the general criminal investigative division under the Ministry of Internal Affairs General Directorate. The Service is currently comprised of six permanently assigned investigators and one administrator. This change has allowed the Service to focus exclusively on antinarcotics activity. The Service maintains contact with each police district on antinarcotics matters and serves as a central training and information center.

Accomplishments. The Service and local police are hampered by lack of local government funds for support equipment. Despite these limitations, it was reported that the number of drug confiscations is on the rise. Moldovan law enforcement officials are anticipating the approval and promulgation of a new criminal code, which will increase penalties for drug use and update the number of illegal substances. This code is currently in the legislative process. A new statute in this area is also currently in the legislative process.

Law Enforcement Efforts. Approximately, 1732 narcotics related criminal cases were processed by law enforcement officers in the first ten months of 2000, a 1.4 percent increase over the number of cases processed in the same ten months of 1999. Law enforcement officers seized over 1,000 kilos of narcotics in the year 2000 to date, including 870 kilograms of poppy straw, 13 kilograms of opium, 95 kilograms of liquid opium, and 70 kilograms of hashish/marijuana.

Corruption. Although there is no specific law dealing with narcotic-related corruption, Moldova has a Department to Combat Organized Crime and Corruption, which addresses cases related to narcotics-related public corruption. Circumstantial corruption will continue until the government can ensure that workers receive adequate salaries.

Agreements and Treaties. Moldova is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. There is no bilateral extradition or law enforcement treaty in force between Moldova and the U.S.

Drug Flow and Transit. Periodic seizures indicate that Moldova is used as a transit route for refined narcotics moving from central Asia to central and Western Europe and for precursor chemicals moving in the opposite direction. However, the seizures are too sporadic to indicate trends in this regard.

Demand Reduction. In the area of treatment for addicted individuals, Moldova has approximately 5,000 registered addicts. Significant treatment is unavailable, due to resource limitations. Police estimate 80,000 Moldovans abuse drugs, between one and two percent of the population. Funding for antidrug information campaigns and education is also limited, although NGOs do some work in this area.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The United States sponsors several important programs that aid in the battle to control illegal narcotics. There is an on-going series of antinarcotics and anti-organized crime and corruption courses presented by various U.S. agencies to law enforcement in Moldova. Forensic and police surveillance equipment has been provided. Computer training centers have been established to give Moldovan law enforcement officers the opportunity to learn how to use advanced technology in the war on drugs. The U.S. has provided training and consultation on regulations for the financial sector. In addition, considerable support from various U.S. government law enforcement agencies for border control projects has been and continues to be implemented. The response of Moldovan law enforcement and high-ranking officials to these efforts has been extremely positive.

The Road Ahead. The energy and determination of Moldovan law enforcement officials to fight against illegal narcotics will need to be supplemented by outside resources for the foreseeable future. Legislation must be also passed to support the efforts of law enforcement personnel in this field.

Netherlands

I. Summary

Despite active Dutch government policy to counter narcotics trafficking, The Netherlands remains an important transit point for drugs entering Europe, an important producer and exporter of amphetamines and synthetic

drugs, and an important consumer of most illicit drugs. The U.S. DEA estimates that large amounts of ecstasy tablets seized in the U.S. in 2000 came from or through The Netherlands. The U.S. notes the increasing quantities of ecstasy that enter the U.S. from The Netherlands and will continue to monitor this problem closely. The Dutch are active in efforts to stem international drug trafficking and have worked cooperatively with the USG both bilaterally and in international fora. Domestically, however, Dutch policymakers view drug abuse primarily as a public health issue. Dutch demand reduction programs reach about 75 percent of the country's estimated 25,000 to 28,000 hard drug users. The Dutch are major donors to the UNDCP, members of the Dublin Narcotics Assistance Coordinating Group, and chair its central European regional group. The Dutch are also active in the Financial Action Task Force (FATF) and play a key role in the Caribbean Financial Action Task Force (CFATF). The Netherlands is a party to the 1988 UN Drug Convention.

II. Status of Country

The central geographical position of The Netherlands, with its modern transportation and communications infrastructure and the world's busiest seaport in Rotterdam, makes the country an attractive operational area for international drug traffickers. Amphetamine, ecstasy and other synthetic drugs are produced in notable amounts. Although marijuana is cultivated in The Netherlands, such cultivation does not have a significant effect on the U.S. An Amsterdam police report concluded that the city is the country's center for drug trafficking. As a center for the international chemical industry, The Netherlands is also an attractive location for criminals to obtain or produce precursor chemicals used to manufacture illicit drugs. The Netherlands, like many other industrialized countries, has been designated a major source of precursor chemicals which can be used in the production of illicit narcotics. For details, see the precursor chemicals section of this report.

The Dutch Opium Act punishes possession, commercial distribution, production, import, and export of all illicit drugs. However, the act distinguishes between "hard" drugs that have "unacceptable" risks (e.g. heroin, cocaine, Ecstasy), and "soft" drugs (cannabis products). Trafficking in the former is prosecuted vigorously. Sales of small amounts (under five grams) of the latter are "tolerated" (i.e., not prosecuted, even though technically illegal) in "coffeeshops" operating under regulated conditions (no minors on premises, no alcohol sales, no hard drug sales, no advertising, and no "public nuisance"). One of the aims of this controversial policy is to separate the markets for soft and hard drugs so that soft drug users are less likely to encounter hard drugs. Another goal – arguably less successful – has been to separate "revenue streams" so that hard drug dealers do not use soft drug dealing as a source of capital.

III. Country Actions Against Drugs in 2000

Overall, the Health Ministry coordinates drug policy, while the Ministry of Justice is responsible for law enforcement. Matters relating to local government and the police are the responsibility of the Ministry of Interior. At the municipal level, policy is coordinated in tripartite consultations between the mayor, the chief public prosecutor and the police. Other agencies with important roles in implementing drug policy include the 25 regional police forces and their Special Criminal Information Services; the National Police Services Force; the National Criminal Intelligence Division (CRI) of the National Police Services Force, which coordinates efforts to counter drug trafficking; and customs authorities and the Customs Information Center.

Policy Initiatives. Major Dutch government policy initiatives in 2000 included addressing soft drugs, especially cannabis. The number of current cannabis users is estimated at 323,000, or 2.5 percent of the Dutch population of 12 years and older. Reflecting Dutch concern about increasing cannabis use, Justice Minister Korthals in 1999 denied pleas by 20 Dutch mayors to allow experiments with controlled cultivation of and trade in Dutch-grown cannabis ("nederwiet"). Korthals said this would violate international treaties, lower the age threshold of young people who start using drugs, and encourage drug tourism. The mayors called for such measures in an attempt to terminate the paradoxical situation of "tolerating" front-door sales of soft drugs (coffeeshops are allowed to sell five grams of soft drugs per person and to keep a supply of 500 grams), while prosecuting back-door deliveries. Korthals confirmed in an April 2000 report issued by the Justice Ministry on "soft" drug policy that the Dutch government does not intend to change current policies. Limited sales and use of cannabis products continue to be "tolerated," but the supply of soft drugs to coffeeshops remains subject to prosecution.

As a result of intensified controls, the number of coffeeshops has dropped from 1,200 in 1995 to 846 in 1999. Research shows that only 105 (of 538) municipalities in The Netherlands have coffeeshops. Almost 75 percent of municipalities do not tolerate the shops.

Other conclusions in the Justice Ministry's soft drug policy report were that the current policy of reducing the number of coffeeshops may lead to more illegal points of sale, and banning foreign cannabis in coffeeshops may lead to more street trade. The report also concluded that local governments are facing drug-related problems of crime and public disturbances. The Justice Minister announced his intention to spend an extra U.S. \$10 million to step up enforcement efforts and other efforts to fight illegal cannabis trade. Innovative public information and prevention campaigns are high priorities of this effort.

In July 2000, the Dutch government also decided not to honor a non-binding parliamentary resolution that would have legalized the production and supply of Dutch-grown cannabis to coffeeshops. Prime Minister Kok, sensitive to pressure from EU partners unhappy with The Netherlands' persistent role as a magnet for "drug tourism," said the government would ignore the resolution because of Dutch international treaty obligations.

Ecstasy. The amount of MDMA seized in 1999 quadrupled compared to 1998, whereas the quantity of amphetamine seized declined by a considerable margin. Statistics show that 36 percent of these seizures took place abroad. The Dutch Police Synthetics Drug Unit's (USD) 1999 annual report shows that 40 percent of the remaining 64 percent seized (ca. 25 percent of all ecstasy seized) in The Netherlands was destined for the U.S. During 1999, 9,678,259 ecstasy tablets seized internationally originated inside Dutch borders.

During FY 2000, at least 8.1 million tablets seized could be traced to production in The Netherlands. During October 2000, the Dutch seized a container of precursor chemicals that contained 8,250 liters of PMK (the main precursor for ecstasy), enough to produce 112 million ecstasy tablets. In October 2000, at a Dutch-sponsored international "Congress on Ecstasy," Justice Minister Korthals announced efforts to step up the fight against trafficking in and production of ecstasy. Specifically, Korthals suggested a registration system for pill-making machines and intensifying international cooperation in the fight against synthetic drugs.

Sentencing. Dutch criminal courts have drawn up national sentencing guidelines for a number of minor drug offenses, in order to achieve more consistency in sentencing. The drug offenses concern matters involving only one suspect. Small drug dealers, who have only been dealing for one month, may face three months in jail; additional jail sentences vary from six to 18 months, depending on how long this dealing has been going on. There also is a new streamlined national guideline for the sentencing of hemp growers. Penalties vary from U.S. \$1,000 for 50-100 plants, six weeks' imprisonment for 100-500 plants, and 12 weeks' imprisonment for 500-1,000 plants.

Medical Marijuana. In 2001, The Netherlands will set up a special government Bureau for the Medical Use of Cannabis for AIDS, MS or cancer patients. The Bureau is to regulate cultivation, distribution and export of marijuana for scientific medical purposes. So far, The Netherlands has imported marijuana for medical research from federal bureaus in the UK and U.S.

Accomplishments. The Dutch Justice Minister announced in October 2000 that drug controls at Schiphol airport would be intensified. The number of military police at the airport will be expanded from 170 to 220, and the special Schiphol teams of police, Customs and public prosecutors will be strengthened to step up the fight against drug trafficking. During October 2000, two x-ray drug scanners became operational at Schiphol. In the first month of their operation, the scanners detected over 933 kilos of cocaine, almost as much as in all of 1999. Dutch customs officials estimate the total street value of the drugs found in October at U.S. \$80 million. In 2000, the Dutch Police Special Synthetics Unit (USD), established in 1997 to coordinate the fight against designer drugs, was given permanent status.

Law Enforcement Efforts. Dutch police and prosecutors give high priority to combating drug trafficking. The Hague-based DEA officers have close contacts with their counterparts in The Netherlands. During FY 2000, DEA instructors held a "clandestine laboratory" course in Virginia to teach Dutch officers the methods used to investigate and dismantle clandestine laboratories. During FY 2000, the Schiphol airport police established an "outbound" team to watch suspected traffickers departing The Netherlands for other countries with contraband, with a main focus on the U.S.

The increasing internationalization of the synthetic drug problem has led to increases in U.S. (and other) requests for information from Dutch law enforcement. However, because precursor chemicals often have their origins outside of Dutch territory, and because numerous separate production sites are located throughout The Netherlands, it is often difficult for foreign authorities to find a police region with clear cut responsibility for handling a specific case.

Corruption. There were no reported cases in 2000 of corruption of public officials because of illegal drug activities. In May 2001, the Dutch Justice Ministry will host a ministerial-level multilateral "Global Forum II" anticorruption conference following up the first one convened by the U.S. Vice President in February 1999. The USC is co-sponsoring Global Forum II.

Agreements and Treaties. The Netherlands is a party to the 1988 UN Drug Convention. The U.S. and The Netherlands have agreements on extradition, mutual legal assistance, and asset sharing. The Netherlands is a member of the UN Commission on Narcotics Drugs and the Major Donors Group of the UNDCP, to which it contributes some \$750,000 per year. It participates in the Financial Action Task Force (FATF) and The Caribbean Financial Action Task Force (CFATF). The Netherlands is a leading member of the Dublin Group and chairs the central European regional Dublin Group. It is member of the daily management of the Caribbean Customs Law Enforcement Council (CCLEC). It is actively implementing the Schengen Agreement, the Benelux Agreement on Extradition, and the European Convention on Extradition and Mutual Assistance. The Dutch participate in the Council of Europe's Pampidou Group. In December 2000, the Netherlands signed the UN

Convention Against Transnational Organized Crime and its protocols.

Dutch police, Justice and Customs officials maintain close contacts with their colleagues in Belgium, France, Germany and the UK. In 2000, The Netherlands signed a cooperation agreement with Italy to fight synthetic drug trafficking. The National Criminal Intelligence Division (CRI) has posted liaison officers in Thailand, Pakistan, Venezuela, Colombia, Interpol, The Netherlands Antilles, Turkey, Poland, Spain, Hungary and Russia. Finally, The Hague is headquarters of the EU's European Police Office (Europol).

Cultivation and Production. About 50 percent of The Netherlands' cannabis market is Dutch-grown marijuana ("nederwiet"). The Dutch government has given top priority to investigating and prosecuting large-scale commercial cultivation of nederwiet and doubled the criminal penalty to four years imprisonment and/or a fine of about U.S. \$50,000. Legislation adopted in 1999 closed loopholes, thus completing the ban on all indoor cultivation of hemp. Possession of five or less nederwiet plants is not prosecuted. Dutch police authorities regularly dismantle nederwiet "plantations".

According to the Synthetic Drugs Unit's (USD) 1999 annual report, the total quantity of ecstasy tablets seized throughout the world, that can be directly or indirectly traced back to The Netherlands, has increased exponentially. The means for exportation include express mail, couriers, and sea containers. The USD reports that 36 production laboratory sites were dismantled during 1999, of which 25 were associated with MDMA (ecstasy) production, five with amphetamine production, and six with both ecstasy and amphetamine. During calendar year 2000, Dutch authorities dismantled at least 23 MDMA production laboratory sites. Since the establishment of the USD, ecstasy chemists have increasingly moved their activities and laboratories to northern Belgium, Poland and the Middle East.

Drug Flow/Transit. Approximately 50 percent of hashish seized in The Netherlands enters the country from Morocco through France and Belgium. About 80 percent of the heroin seized enters the country from Germany through the Balkan Route. In 1999, 4,208 kilos of drugs were seized at Schiphol airport, of which almost 2,600 were in the possession of couriers and the remainder was hidden in airfreight. Of the total 1999 drug seizures at the airport, 3,200 kilos consisted of cocaine, up from 2,849 kilos in 1998. Although the number of couriers arrested at Schiphol dropped from 818 (1998) to 618 (1999), the average drug weight per courier went up from 3.8 to 4.2 kilos. In 2000, the Dutch intensified border controls to combat the flow of drugs, including the effective implementation of scanners in the port of Rotterdam (installed in 1999), and the x-ray scanners that became operational at Schiphol airport in October 2000. The number of drug-sniffing dogs in Rotterdam port has been increased from 25 to 35.

Demand Reduction/Prevention. The Netherlands has a variety of demand-reduction and "harm-reduction" programs, reaching about 75 percent of the country's 25,000-28,000 hard drug users. The number of hard drug addicts has stabilized in the past few years, and the average age has risen to 38. Dutch authorities assert that the number of drug-related deaths in The Netherlands remains the lowest in Europe. HIV infection among addicts is relatively low. A national drug monitoring office to coordinate the large number of monitoring activities related to drugs became operational in 1999, and the first results are expected in 2001.

Additionally, the Justice Ministry will start experiments in ten Dutch cities with the enforced treatment of criminal drug addicts. Special prison departments will be set up where nearly 350 repeated drug offenders will be forced to undergo two-year treatment.

The Dutch Addiction Care Information Foundation (IVV) notes a significant increase in the number of cocaine addicts seeking treatment: 5,689 people in 1999, which is 23 percent more than in 1998. The IVV attributes the increasing trend in cocaine use to higher prosperity. The number of heroin and cannabis addicts seeking treatment has stabilized, whereas the number of ecstasy clients in 1999 dropped by 25 percent from 1998. The total number of cannabis users in The Netherlands is estimated at some 323,000, of a population of more than 15.5 million. Total costs of Dutch drug treatment programs are put at U.S. \$100 million.

Drug prevention programs are organized through a network of local, regional and national institutions. Schools are targeted in efforts to discourage drug use, while national campaigns are conducted in the mass media to reach the broader public. The Netherlands requires school instruction on the dangers of alcohol and drugs as part of the health education curriculum. The Netherlands Institute of Mental Health and Addiction (the Trimbos Institute) has developed projects in the field of alcohol and drugs in the context of teaching "healthy living" in classrooms.

IV. U.S. Policy Initiatives

Bilateral Cooperation. The U.S. and The Netherlands cooperate closely on law enforcement activities throughout the Kingdom of The Netherlands. The USG is also working with the Kingdom to assist Aruba and The Netherlands Antilles in countering narcotics trafficking. In April 1999, the U.S. and The Netherlands concluded an interim, one-year agreement for the establishment of Forward Operating Locations (FOLs) on Aruba and Curacao. These are now operational. The ten-year FOL agreement still awaits approval by the Dutch Parliament.

Although operational cooperation between U.S. and Dutch law enforcement agencies is excellent, there is a growing concern over The Netherlands' role as the key source country for MDMA/ecstasy entering the U.S. The U.S. Embassy in The Hague recently proposed a three-pronged effort (political engagement, training and enhanced consultation at the working level, and public diplomacy) to improve bilateral law enforcement cooperation. Initial Dutch reaction has been positive.

The Road Ahead. U.S.–Dutch bilateral law enforcement cooperation will intensify with the above-mentioned proposed action plan. The USG will encourage improved methods for screening container traffic in the port of Rotterdam and Schiphol airport to further counternarcotics efforts. The U.S. will also encourage The Netherlands to place a police liaison in its embassy in Washington to deepen cooperation against international crime and drug trafficking. However, important differences in approaches toward "soft" drugs, as well as differing legal procedures and law enforcement structures could continue to complicate bilateral cooperation against drugs.

Norway

I. Summary

Drug production remains rare in Norway because of the country's (a) harsh climate, and (b) regulations governing domestic sales, exports, and imports of precursor chemicals and drugs. To combat money laundering and control chemical precursors Norway is armed with excellent legislation and top-flight enforcement efforts. In 2000, the number of drug seizures in Norway rose on a continuing trend, with cannabis seizures accounting for the bulk (38 percent) followed by benzodiazepines (16 percent), and amphetamines (13 percent). Seizures of heroin and ecstasy also increased. While narcotics production remains rare, the police have been increasing efforts to track and intercept drugs in transit (e.g., those arriving from central Europe and going to Nordic and other western markets). Norway is implementing various programs for curbing domestic drug abuse. Norway is a party to the 1988 UN Drug Convention.

II. Status of the Country

While Norway has become more popular as a transit country for drugs produced in Central/Eastern Europe and Central/South America, the increase in narcotics seizures by the police and customs has helped dampen the problem. Norway has laws governing money laundering and sales, and exports and imports of precursor chemicals.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Norway continues to implement counternarcotics policy initiatives on several levels. While Norway has not developed an overall counternarcotics master plan, the Ministry of Justice continues implementing an Antidrug Action Plan to meet the objectives of the 1988 UN Drug Convention. The key goals of the plan are to: (a) curb the inward flow of illicit drugs; (b) limit illicit drug production; (c) reduce domestic drug consumption; and (d) coordinate with other ministries in the fight against illicit drug activities and related crimes, including money laundering. Norway continues to cooperate closely with police forces in Nordic and other countries on drug cases.

The Norwegian Customs and Excise Directorate continues implementing its own antidrug plan aimed at curbing drug imports and seizing illicit drug money and chemicals for narcotics production. The Norwegian Customs has established a mobile narcotics control unit (including sniffing dogs), and is coordinating its efforts with the police and the Coast Guard.

Norway's Ministry of Health and Social Affairs continues to implement educational and other programs to reduce drug abuse through the Norwegian directorate for the prevention of alcohol and drug problems. Moreover, Norway's Ministry of Defense implements programs to reduce narcotics use in the armed forces. On local government levels, antidrug campaigns were launched in 1999 and 2000.

Accomplishments. According to the police, Norway remains in full compliance with the 1988 UN Drug Convention as a result of (a) counternarcotics plans/initiatives progressing as scheduled; (b) antidrug legislation being strengthened; and (c) ongoing cooperation with the United Nations Drug Control Program (UNDCP). As an indication of its broader antidrug policies, in November 2000 Norway also hosted meetings of the World Antidoping Agency (WADA) Foundation Board and Executive Committee, the International Antidoping Arrangement (IADA), and the International Intergovernmental Consultative Group on Antidoping in Sports (IICGADS). Forty-one countries, including the United States, participated with representatives from independent athletic organizations and the International Olympics Committee (IOC) in an effort to address the challenges presented by doping in sports.

Law Enforcement Efforts. In 2000, the number of drug seizures rose to an estimated 26,200 cases, up from 21,835 the previous year (Final Statistics). According to the police, cannabis, and amphetamine seizures rose most strongly. Seizures of heroin and ecstasy also rose. Law enforcement efforts were increased, resulting in a

record number of persons charged with narcotics crimes. Additionally, in an effort to discourage the use of narcotics substances the fines relating to narcotics offenses were increased. Oekokrim, the principal entity responsible for tracing and seizing assets, continues to establish systems for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets. According to Norwegian laws, assets derived from criminal acts (narcotics trade and money laundering) are to be seized and confiscated by the Norwegian State. While the State destroys drugs, alcohol, and cigarettes, the State auctions items such as confiscated autos. Norway has not enacted laws for sharing narcotics assets with other countries. No major changes in current legislation are contemplated.

Corruption. Public corruption remains insignificant in Norway, and no drug-related corruption was recorded in 2000. Norway's corruption laws were broadened in 1998 to cover corruption overseas to facilitate the domestic prosecution of Norwegian nationals who bribe officials in foreign countries.

Agreements and Treaties. Norway is a party to the 1988 UN Drug Convention. It has extradition treaties with many countries, including the United States. Norway's extradition law (of 1975) governs extradition of criminals to the U.S. and other countries. It has bilateral customs agreements with the U.S., the EU, Russia, countries in central and east Europe, and other trading partners. Norway remains a member of Interpol, the Dublin Group and the Pompidou Group. In December 2000, Norway signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. Cultivation of drugs remains limited in Norway although small quantities of Norwegian-grown cannabis have been detected. Production of synthetic drugs is also rare due to effective laws governing domestic sales of precursor chemicals.

Drug Flow/Transit. According to the police, the inflow of illicit drugs increased in 2000 with cannabis, benzodiazepines and amphetamines in the lead. Most illicit drugs are entering Norway in vehicles from The Netherlands, Belgium, Germany, Poland, and Hungary. Some drugs have been seized in commercial vessels arriving from the European continent and Central/South America. Nationals from the Former Republic of Yugoslavia have become prominent in Norway's narcotics market.

Domestic Programs/Demand Reduction. As noted above, government ministries and local authorities have initiated antidrug abuse programs. According to the police, the increasing number of drug-related deaths suggests that these programs need further strengthening to become effective. While the maximum penalty for a narcotics crime in Norway is 21 years imprisonment (also the maximum penalty for any crime, including murder), penalties for carrying small amounts of narcotics remain mild from a global perspective. The police believe that stiffer penalties and fines would probably help reduce drug demand, especially among youths.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Norwegian counternarcotics authorities cooperate frequently with their counterparts in the Nordic countries and the U.S. DEA officials consult with Norwegian counterparts regularly. The U.S. generally experiences excellent law enforcement cooperation with the Norwegians.

The Road Ahead. U.S. officials will continue to participate with Norway in a variety of counternarcotics-related meetings including antidoping in sports.

Poland

I. Summary

Poland continues to play an important role as both a transit route and producer of a variety of narcotics. As a gateway to the European Union and lucrative markets beyond, Poland finds itself in the path of drug traffickers and organized crime groups bringing narcotics from the Golden Triangle, Latin America, and elsewhere. Not yet a large market itself, Poland nonetheless feels the impact of the trade through growing local narcotics production, drug-related violence, money laundering, and other criminal activity. The current legal framework for combating drug use and trafficking is the National Program for Counteracting Narcotics, originally passed in 1997, and implemented in 1999. Poland is a party to the 1988 UN Drug Convention.

II. Status of Country

Poland's law enforcement organizations have recently stepped up efforts to stem the production and flow of narcotics, in particular the growth in amphetamine manufacturing. Although these efforts have resulted in numerous raids and seizures over the last year, they have not yet had a significant impact on the local industry, which is estimated to satisfy nearly a quarter of European demand.

The transport of heroin through Poland and on to markets elsewhere in Europe continues to be dominated by Turkish, Pakistani, Indian and Nigerian nationals. Poles control drug production and distribution in Poland's domestic market. Polish nationals are also regularly recruited as couriers for drugs bound for Europe. Financial support comes from Germans, Austrians, and Scandinavians. While the bulk of the narcotic traffic is

westbound, Poland is also a transit point for shipments to the Baltic nations mainly ecstasy smuggled to Estonia and opium poppy straw and amphetamine transported to Lithuania.

III. Country Actions Against Drugs in 2000

Policy Initiatives. On November 17, 2000, President Kwasniewski signed into law three significant amendments to the National Program for Counteracting Narcotics. The most controversial of those amendments criminalizes possession of narcotics. To date, possession of small amounts of narcotics for personal use has not been illegal. Under the new legislation, police are now authorized to arrest and prosecute those found possessing any quantity of illicit drugs. Whether or not the police have the necessary resources to enforce such legislation remains to be seen. To that end, the USG is working with the Polish Parliament to amend the police law to enable them to effectively handle their caseload.

The second amendment empowers court officials to order drug treatment and counseling. Currently, treatment is on a voluntary basis. The third significant amendment aims to penalize business owners who knowingly foster an atmosphere tolerant to drug sales and use on their properties.

Accomplishments. During the past year the Government of Poland's (GOP) Central Narcotics Bureau merged with the Organized Crime Bureau. The new office, the Central Bureau of Investigations, has a broadened authority, allowing it to pursue multi-faceted criminal investigations. Polish law enforcement authorities designed the new Bureau to eliminate duplicated effort, unnecessary expense, and avoidable delays. As a result, each of the Bureau's seventeen district offices answers to headquarters, not local political or law enforcement officials. Although very new, the Bureau has already succeeded in conducting several noteworthy investigations leading to drug seizures and arrests. One such investigation involved cooperation with Bulgarian, Slovak, and Czech counterparts, and resulted in at least 13 arrests and the seizure of 70 kilograms of heroin.

Law Enforcement Efforts. In addition to efforts being made to streamline investigations, the GOP has demonstrated a clear commitment to strengthening its border controls. Polish border and customs authorities acknowledge that its borders, particularly with Ukraine and Belarus, have not presented a meaningful barrier to criminals smuggling narcotics, human cargo, and miscellaneous contraband.

With considerable guidance and support from the European Union, the GOP has increased the size of its customs presence on these borders, staffing more than a dozen new control towers and deploying mobile surveillance teams. In addition, new detection technologies and methods are being employed at vehicle crossing points. One such technology is x-ray equipment, which was instrumental in the recent discovery of 100 kilograms of heroin in a truck's floor.

In recognition of the growth in amphetamine production in Poland law enforcement bodies are focusing more attention on locating and liquidating illegal laboratories. In 1999, police eliminated ten such laboratories, and between January and May 2000, eight more were raided.

On November 27, police underlined their assault on amphetamine producers by raiding a laboratory in Warsaw estimated to have produced 500 kilograms of amphetamines during the last year. The lab, associated with a prominent Polish organized crime group, reportedly employed more than a dozen people, several of whom were arrested at the scene.

Corruption. Data relating to corruption among law enforcement bodies is not available. Contacts within the Polish National Police acknowledge that instances of corruption are occasionally discovered, particularly among customs officers, and that prosecution for such activity is possible.

Agreements and Treaties. Poland is party to the 1988 UN Drug Convention. The U.S. and Poland have an extradition and mutual legal assistance treaty. As part of its projected accession to the European Union, Poland is cooperating with its EU counterparts to bring its legal code into line with that of other Union members. In terms of narcotics enforcement, this process includes increasing the number of potential criminal narcotics charges, as well as drafting legal definitions of drug trafficking and addiction. Poland signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation/Production. Small quantities of marijuana are produced in Poland for local use. Morphine base extracted from opium poppy straw, known locally as Kompot or Polish Heroin is a long-standing staple of Polish addicts. Most Kompot is produced at home by addicts themselves. European law enforcement officials estimate that Poland fulfills more than 25 percent of Europe's amphetamine demand. These high-quality amphetamines are also available locally, and are increasingly popular among Poland's estimated 60,000 drug addicts, as well as Poland's urban youth seeking recreational highs. Poland's law enforcement community acknowledges that they are not yet fully equipped to stem the production of amphetamines and other locally produced narcotics, much of which comes from mobile clandestine laboratories.

Drug Flow/Transit. Measuring the flow of illicit narcotics through Poland has proven a difficult task. There is

evidence of southwest Asian heroin, cocaine from South America and cannabis products from Morocco and Nigeria. As police detection and interdiction methods improve, new means of transporting illegal materials are discovered, including vehicles transiting Poland. Over the last two years, police report that nearly all the heroin, cocaine, and LSD seized has been transiting Poland.

Domestic Programs/Demand Reduction. Kompot is the most common drug in Poland, used by approximately 75 percent of Polish addicts. Another 10 percent use inhalants; amphetamine abuse is growing very rapidly. The Ministry of Health estimates that there are 30,000–40,000 addicts and up to 400,000 casual users. Requests for medical or rehabilitative services have grown rapidly in the last three years, reaching more than 4,000 in 1999. According to rehabilitation authorities, this is the result of the growth in the number of drug abuses, as opposed to the result of expanded services. Education programs, meanwhile, have diminished due to a lack of money and trained instructors. As a national education strategy has yet to be finalized, government bodies and international organizations have pursued a variety of education methods, including school-based and mass media campaigns. The GOP is currently cooperating with UNDCP to devise a more systematic public education program.

IV. U.S. Policy Initiatives and Programs

Initiatives. U.S. goals in Poland include the development of an increasingly potent Polish law enforcement community, in part to stem the flow of drugs through Poland. The U.S. has also sought to help the GOP combat domestic production of illicit narcotics. The U.S. reinforced this effort by sponsoring a training program on clandestine laboratories, conducted by the DEA. The U.S. Resident Legal Advisor played an instrumental role in persuading essential legislators and policymakers to support the amendments to the National Program for Countering Narcotics. The FBI representative in the Embassy in Warsaw provided considerable input into the reorganization and creation of the Central Bureau of Investigations.

Bilateral Cooperation. Polish authorities continue to cooperate closely with the Embassy and U.S. law enforcement agencies through training programs, enforcement collaboration, and consultation on legal reforms. The U.S. continues to foster close working ties with Polish law enforcement agencies, with a particular focus on narcotics and organized crime. Over the last year, the U.S. Embassy in Warsaw played host to U.S.–funded programs targeting money laundering and other financial crimes, drug trafficking, clandestine narcotics laboratories, and corruption. The U.S. also continues to support Poland's International Police Training Center, last year coordinating the provision of communication equipment.

Road Ahead. The U.S. anticipates continuing strong ties with Poland's law enforcement communities, fostered through additional targeted training programs and continued expansion of working relationships between U.S. Embassy and law enforcement officials.

Portugal

I. Summary

Portugal figures in the international drug situation largely as a gateway into Europe for drug smugglers. In domestic consumption, heroin leads, followed by hashish and cocaine. Drugs enter by air and sea and transit overland both to and from other European countries. The drugs tend to originate from North Africa and South America. U.S.–Portuguese cooperation on drugs includes visits by American officials and experts, training of law enforcement personnel, and assistance in establishing rehabilitation programs. Portugal participates actively in international counter narcotics efforts. It views drug addiction as a public health problem and administers methadone and needle–exchange programs. In 2001, a new law goes into effect that decriminalizes drug use in small quantities. Portugal is a party to the 1988 UN Drug Convention.

II. Status of Country

Drug smugglers use Portugal as a point of entry for drug shipments headed into Europe from North Africa (notably Morocco), and from Latin American countries (particularly Venezuela, Colombia, and Ecuador). Portugal's open borders with other members of the Schengen Agreement simplify the work of drug smugglers, and linguistic and cultural ties with Brazil and Mozambique facilitate trafficking from those countries. Moroccan hashish and Afghan opium have entered Portugal through the Schengen countries. Cocaine and heroin enter Portugal by commercial aircraft, truck, and maritime vessel. The heroin, largely of Turkish origin, transits to Portugal through Holland and Spain and is consumed domestically or is shipped out of the country. Cocaine produced in Brazil and Colombia passes through Portugal to the rest of Europe. The U.S. has not been identified as a final destination.

Drug consumption is no longer a "big city" problem. Contrary to the general trend in Europe, heroin use in Portugal has not diminished in recent years. Estimates suggest that (of a population of ten million) Portugal has more than 60,000 heroin addicts, 5,000 cocaine addicts, and 100,000 hashish consumers. Ecstasy has become an even more popular drug among some urban youth.

Portugal now has the highest per capita HIV infection rate in Europe, with 88 cases for every 1,000 inhabitants. Intravenous drug use makes up 55 percent of all reported cases of HIV transmission in Portugal.

III. Country Actions Against Drugs in 2000

Policy Initiatives. President Jorge Sampaio signed new legislation that decriminalizes drug use for both "casual" consumers and addicts. The law takes effect on July 1, 2001. Under the new law, "consumption, acquisition, and possession of drugs for personal use" (maximum quantity allowed any one person not to exceed ten days' worth) becomes a simple administrative offense. The penalties for "non-addict" consumers may be either monetary fines or other penalties. For "addicts," only non-monetary penalties apply. The new legislation replaces two articles of an earlier law addressing the legal regime applicable to trafficking in and consumption of narcotic drugs, but does not revoke it.

Accomplishments. In December 1999, Portugal and the U.S. signed a case-specific assets sharing Memorandum of Understanding (MOU). A portion of the monies was earmarked to fund rehabilitation programs.

Law Enforcement Efforts. Portugal has three separate law enforcement agencies that deal with the drug program—the Judicial Police (PJ), the Public Security Police (PSP), and the Republican National Guard (GNR). The PJ is a unit of the Justice Ministry with overall responsibility for coordinating enforcement efforts and record keeping. The PSP and GNR are uniformed forces operating in the cities and countryside, respectively, although in practice overlap often occurs. The GNR also patrols the highways, inland waterways and the coast. The GNR recently received delivery of two of five new speedboats needed to patrol the coastal waters. PSP officers in some cities are involved in a "safe schools" project similar to the D.A.R.E. drug awareness program in the U.S.

Maritime interdiction cooperation between Portugal and Spain continued in 2000, following the terms of the 1998 treaty between the two countries. This cooperation, together with U.S. assistance, resulted in a multi-ton cocaine seizure in the Caribbean. The traffickers arrested in Portugal were nationals of Portugal, Spain, and Colombia.

The PJ made three major seizures of heroin and cocaine in 2000. The PJ aimed to cut off the supply source and obstruct the operations of traffickers who sell to other traffickers. Drug programs overall are coordinated by the Secretary of State for the Presidency of the Council of Ministry, Dr. Vitalino Canas, who is directly responsible to the Prime Minister.

Corruption. No cases of systematic or large-scale corruption were reported in 2000.

Cultivation and Production. In Portugal production is not a significant concern.

Drug Flow and Transit. Portugal's exposed geographic position and its long, rugged coastline and proximity to North Africa, offer an advantage to traffickers who smuggle illicit drugs into Portugal. Cooperation between criminal elements in the far north of Portugal and the nearby Galician underworld appears to be increasing. A Turkish trafficking group is seeking to turn the Iberian Peninsula into a narcotics distribution center for all of Europe.

Demand Reduction. The Institute for Drugs and Drug Addiction is a new Portuguese government office that serves as a statistical gathering and dissemination center for narcotics issues. In 2000, the government's antidrug public service advertising campaign showed activity similar to campaigns on the danger of AIDS. A new series of "Just Say No"-style television spots began last spring.

The Ministry of Health administers needle exchange, psychiatric, methadone, and detoxification programs. During an official visit to Spain, the Portuguese Minister of Justice visited a prison to investigate a needle-exchange program. He promised to review the possibility of implementing a similar program in Portugal.

The Portuguese consider drug addiction to be an illness, not a crime. Branch clinics of the Ministry of Health offer methadone treatment. Registered addicts can obtain prescribed doses of methadone from any pharmacist, and thus avoid having to go to a public clinic. Long-term clinics offer free detoxification. Portugal prefers to see addicts in rehabilitation rather than in prison. A judge can offer a convicted user a choice between therapy and prison, but cannot compel the user to enter therapy against his or her will.

Agreements and Treaties. Portugal is a party to the 1988 UN Drug Convention. A Customs Mutual Assistance Agreement (CMAA) has been in force between Portugal and the U.S. since 1996. Portugal and the U.S. cooperate in extradition matters through a 1908 extradition treaty. However, the extradition treaty does not cover financial crimes, drug trafficking or organized crime.

Portugal is a member of the Pompidou group of the Council of Europe, which began in 1971 as a Europe-level forum to discuss narcotics issues. The European Monitoring Center on Drugs and Drug Addiction (EMCDDA), an EU facility, is located in Lisbon and serves as an information clearinghouse for EU countries.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. has facilitated a working relationship between the Portuguese Navy and a private company called International Health Resources Management, in order to develop a drug and alcohol rehabilitation program. The Portuguese Navy has signed an agreement with the Portuguese Industry Association that will allow civilian organizations and businesses to utilize drug testing and treatment services from this program. The final phases of implementation and evaluation of this program will take place in 2001.

The Road Ahead. Portugal plans to continue to take dynamic steps to confront and combat a growing domestic narcotics problem. In some areas, the country will align itself closely with the drug policies of its EU neighbors. The future should see a continued effective performance by Portugal, characterized by increasing cooperation with the United States and with European nations.

Romania

I. Summary

Romania is not a major producer or cultivator of narcotics. However, the country lies along a well-established route used to funnel heroin and opium from Afghanistan through Turkey to Western Countries. Romania is also used as a depot and transit point for South American cocaine destined for Western Europe. In 2000, Romania made noted progress in empowering the National Police to investigate drug-related crimes. This year also saw the implementation of legislation designed to fight money laundering, including provision for the seizure of the proceeds of drug related activities. Romania is a party to the 1988 UN Drug Convention.

II. Status of Country

Romania lies along what is commonly referred to as the Northern Balkan Route, and serves as a transit country for narcotics moving from Afghanistan, through Turkey and Bulgaria and onward to Western Europe. In addition, a large amount of precursor chemicals transit Romania from West European countries south towards Turkey. The comparatively low salaries earned by most Romanian citizens make narcotics prohibitively expensive; however, law enforcement officials noted that the trend of increasing domestic use continued in 2000. According to the same officials, this trend was most prevalent in consumption of cannabis and synthetic drugs, such as "ecstasy," among the country's youth.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Romania made significant progress in its ability to combat narcotics with the passage of Law 143/2000. The law, passed in August 2000, gives the National Police expressed powers to carry out controlled deliveries of narcotics. The law also allows for the use of undercover police in investigating drug-related activities. While still relatively new, the law is already being put into practice.

Romania is home to the Southeast European Cooperative Initiative (SECI) Organized Crime Center, which serves as a focal point for countries in the region to share information, including information on narcotics trafficking. In 2000, the Romanian National Police received training from foreign governments including Germany, France, and the United Kingdom, designed to provide Romanian officers greater experience and knowledge in fighting organized crime such as drug trafficking. Seminars on fighting narcotics trafficking have also been sponsored via the EU's PHARE program and the Pompidou Group.

Accomplishments. Romania's primary successes have come in the area of new legislation to fight narcotics and money laundering. In addition, the SECI Organized Crime Center, headquartered in Bucharest, has taken several steps closer to becoming fully functional. Romanian law enforcement is beginning to employ cooperation assistance as a tool to identify major drug traffickers. Such cooperation assistance is specifically allowed under the new drug law. Romanian agencies, such as the National Police, Border Police, and Customs Administration (VAMA) continue to offer a high degree of cooperation in working with the U.S. The lack of a counternarcotics master plan, inadequate resources, and corruption, remain the most significant impediments to combating narcotics trafficking in Romania.

Law Enforcement Efforts. During the first ten months of 2000, the National Police made 172 narcotics seizures and the Customs Administration three seizures. While a smaller amount of hashish, cannabis and heroin was confiscated in 2000 than in 1999, there was a slight increase in amount of seized cocaine. There was also a noted increase in the amount of confiscated methadone pills, along with an over 50 percent increase in the amount of synthetics (primarily ecstasy) confiscated. As of October 19, 2000, narcotics seizures included 39.66 kilograms of heroin, 149 vials of morphine, 0.06 kilograms of opium, 35.17 kilograms of hashish and cannabis, 12.9 kilograms of cocaine, 15,597 amphetamine pills, and 264 methadone pills. Through the same period, there were two seizures of precursor chemicals, 137 liters of benzylmethylketone (BMK) and 160 liters of acetic anhydride. Arrests through October 19, included 155 nationals, and 28 foreigners.

Law enforcement resources dedicated to fighting narcotics in Romania are limited. As of September 2000, there were only 25 police officers assigned to the national level drug squads. Thirteen of these officers are

assigned to the Romanian National Police Antidrug unit within the country's Directorate for Combating Organized Crime (DCCO). The 12 other officers are focused on combating the illicit sale of precursor chemicals. In addition, one or two officers are assigned to each of Romania's 41 county organized crime squads. Romania has established a system for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets. Under existing law, any proceeds from illegal activity, or assets that were used, or intended to be used, in illegal activity can be seized. However, Romania currently does not have legislation in place that allows for the sharing of seized assets with foreign governments.

Corruption. A 2000 anticorruption law expanded the penalties for corrupt acts and added to the list of activities that can be prosecuted as corruption. However, corruption remains a serious problem within the Romanian government. Despite the new law, the number of corruption cases brought to court dropped in 2000.

Agreements and Treaties. Romania currently has an extradition treaty with the United States and, in 1999, the two countries signed a Mutual Legal Assistance Treaty (MLAT). Work has begun on the agreement with the UN regarding cooperation in fighting narcotics trafficking and drug abuse. Romania is also working with the UN regarding the implementation of fighting the trafficking of narcotics by sea, as outlined in the UN Convention on the Trafficking of Illicit Narcotics and Psychotropic Substances. Romania signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

Drug Flow/Transit. Illicit narcotics from the Near and Middle East enter Romania primarily over land through its southern border with Bulgaria. However, drugs are also brought into the country via the Black Sea port of Constanta, as well as via the country's international airports. Once in Romania, the drugs move either north through Hungary, or east through former Yugoslavia, on their way to Western Europe. The DCCO estimates that approximately 80 percent of the drugs that enter Romania continue on to Western Europe, while the remaining 20 percent are consumed in country.

Domestic Programs. Low wages restrict consumption of Heroin and cocaine; synthetic drugs are a growing alternative, as are inhalants. Detoxification programs are offered through some hospitals, but are very limited. The Romanian Ministry of Health maintains some programs designed to educate young people about the hazards of drug abuse. However, these efforts are hampered by a lack of resources. As a result, there remains a strong lack of knowledge among the country's youth regarding the dangers of abusing narcotics.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In response to strong interest by the Romanian National Police and other Romanian agencies with narcotics law enforcement responsibilities, the U.S. embassy has assisted in providing a wide range of training geared towards fighting narcotics, corruption, and money laundering. The Regional Security Officer is the coordinator at post. The Department of State's International Narcotics and Law Enforcement Affairs (INL)-sponsored training in 2000 included an economic crimes course, a regional conference on fighting corruption, a public corruption seminar, and a FBI-provided undercover operations seminar. Other State Department-funded programs in 2000 were offered through the Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT). These programs include an organized crime seminar, as well as training in the areas of financial litigation, international asset forfeiture and asset sharing, economic crime/advanced money laundering, and investigating public corruption. Training to improve border enforcement was provided by the U.S. Customs Service, which has several representatives present in Romania. DEA activities in Romania are coordinated by their regional office in Vienna.

The Road Ahead. Romania has put serious emphasis behind its counternarcotics efforts and cooperation with the USG. There is little reason to believe that this cooperation will diminish under the new Romanian administration elected in November 2000. The new drug law will make a noticeable difference in the country's fight against drugs over the coming year and beyond. The USG plans to maintain its support in providing counternarcotics, money laundering, and corruption related training in 2001.

Russia

I. Summary

Dominating all other drug issues in Russia is the continued dramatic increase in the flow of Afghan heroin into the country across the southern border. In 2000, 80 percent of the heroin seized in Russia came from this area; the UNODCCP estimates that the amount of heroin brought into Russia from that region has more than doubled in the last year alone. The sharp increase in the supply of heroin has seen a correspondingly sharp drop in price, which has in turn stimulated demand to an unprecedented extent. The GOR now recognizes that drugs are no longer simply an illicit product in transit to another destination. Although more than half the heroin seized in 2000 was destined for onward transit, Russia is now a consumer as well, and faces a serious drug abuse problem for the first time. Traditionally, the drugs of choice have been opium poppy straw extract, and cannabis products. The Public Health Minister estimated that there were 2 million addicts in Russia, and the head of the Security Council said that there were over 200,000 drug-related crimes in the last year alone.

He says the President considers "the problem of the spreading and using of drugs in the category of a direct threat to the national security of the state." While international cocaine traffickers of Russian origin continue to use Russia as a transit point for onward shipment to Europe, Russia continues to be a depressed market for cocaine, which remains priced out of this market for the time being.

In 2000, the Russian government displayed an increased interest in antinarcotics cooperation, and U.S. and Russian law enforcement took significant steps towards deeper bilateral investigative cooperation and intelligence sharing. In June 2000 the Putin Administration indicated an increased interest in exploring a multi-faceted approach including demand reduction and prevention. Russia ratified a Mutual Legal Assistance Treaty with the U.S. in the fall of 2000, and challenged the U.S. Senate to do the same. Russia is a party to the 1988 UN Drug Convention.

II. Status of Country

Russia is a transit country for heroin and opium, most of which comes from Afghanistan and more than half of which is destined for Europe. It is also a transit country for cocaine averaging in the 50–60 kilograms range trafficked by individual criminals of Russian origin who use the country for transshipment to Europe and elsewhere. Small quantities of amphetamines, cannabis and opium poppy and ephedrine for domestic consumption are produced in Russia; significant quantities of precursor chemicals for export, notably acetic anhydrid are produced in, or diverted from, Russia for the production of Afghan heroin.

Low income levels mean Russia is a negligible market for cocaine. Russian demand for cocaine has fallen abruptly from its peak in the more prosperous 1990's. The demand never equaled that of heroin, which is much cheaper and more plentiful, and more easily imported. Cocaine seized in Russia is typically in transit to Europe. While there have been seizures as large as several tons, such as that seized on a Russian-owned vessel off the coast of a European country in late 1999, there have been no large seizures in 2000, aside from a 64 kilograms DEA controlled delivery in May. Russian law enforcement authorities do not consider that cocaine trafficking presents a major criminal threat.

Heroin trafficking is the major drug problem facing Russia. The Afghan Taliban stepped up production of opium and heroin for export into Tajikistan and Kazakhstan and on into Russia just as the economic crash of 1998 plunged Russia into a period of economic crisis. The crash resulted in a sharp drop in the standard of living for many Russians, high unemployment rates, and a decrease in the technical and financial resources available to law enforcement. Alcohol and substance abuse increased. Coinciding with the widespread availability of cheap heroin, this situation contributed to an increase in serious heroin abuse and addiction, and a concomitant steep increase in HIV and AIDS. Russian authorities resist needle exchange programs for fear of appearing to encourage heroin abuse. HIV suppressing therapies exceed the financial capability of most Russian clinics, and victims remain for the most part untreated, representing a concern for Russian health authorities.

Given the porous nature of the border and the lack of technical and financial support for law enforcement, Russia is ill-equipped to handle the growing inundation of the country with Afghan heroin. Although the bulk of this product finds its way into European or other markets, the proximity of the source and the large quantities available have provoked a precipitous drop in heroin prices, from an average \$70 per gram in 1999 to \$10 per gram in 2000. Even at these prices, the average Russian cannot support this habit without resorting to some form of criminal activity. Russian authorities estimate the number of drug-related crimes in 2000 at over 200,000.

Domestic distribution of drugs is handled by the same Russian criminal organizations that have long conducted other criminal operations in the various regions of Russia. Trafficking into the country is often handled by groups who tend to specialize in certain categories of drugs in specific areas. Heroin is mainly imported by Afghan, Tajik and other Central Asian groups, and West Africans across the southern border with Kazakhstan into European Russia and western Siberia. Vietnamese and Chinese groups traffic heroin, opium and ephedrine into eastern Siberia, where methamphetamines are also manufactured in kitchen labs for personal use. Ukrainian groups traffic in cannabis, while Nigerian and some other African groups traffic mostly heroin.

III. Country Actions Against Drugs

Until recently, drug trafficking by Russians or through Russia was not given a high priority by Russian policy makers or law enforcement. Russia had little drug abuse and the transit of narcotics through the country received a lower priority than other seemingly more critical criminal activities. Russian authorities now indicate that they recognize that the situation has changed and that drug trafficking is having a profoundly negative effect on their country.

Policy Initiatives. The new Russian Presidential Administration has demonstrated that it places a high priority on law enforcement (raising salaries of all Russian police 13 percent in 2001) and on control of narcotics. Russian authorities have correspondingly stepped up their levels of international antidrug cooperation in

interdiction and enforcement. From the highest levels of government down to the working level, Russian authorities have demonstrated increased willingness to cooperate with international counternarcotics efforts and U.S. efforts in particular. Russian counternarcotics efforts rely heavily on law enforcement, but authorities have recently displayed an increased interest in initiating cooperation and accepting assistance in the areas of demand reduction and treatment as well.

Key Foreign Ministry officials characterize cooperation in the area of antinarcotics as one of the top Russian priorities for U.S.-Russian relations, and one of their major priorities internationally. One key official called the drug issue a non-ideological, non-political, truly shared problem, demanding a cooperative and joint response. One of the highest-ranking Russian officials described the Government of Russia as totally committed to this cooperation and said all ministries and agencies were available to work with the U.S. on antinarcotics. He characterized their efforts as seeking to develop a coordinated approach that incorporates education, health, military, intelligence and law enforcement components.

Accomplishments. In October 2000, Russia ratified the Mutual Legal Assistance Treaty, and called upon the U.S. Senate to do the same.

The UNODCCP in Moscow continued to implement two domestic projects signed with the Russian government, and four NIS-regional projects in which Russia is a partner. The first was signed in 1999, "Technical Assistance in Control and Prevention of Drugs and Related Organized Crime," and provides equipment and training for counternarcotics units in Russia. The second, "Training Center for CIS Countries at Domodedovo," was signed in 2000 and establishes a program for training representatives of antidrug units of various CIS countries in the Russian police training facility at Domodedovo in Moscow. In addition, the UNODCCP has undertaken an effort to provide equipment and training to the Russian Border Service personnel who police the Tajik-Afghan border to halt the flow of heroin before it reaches the Russian border. The UNODCCP in Moscow reports that all of these projects have the support of the Russian authorities. They note, however, that Russia has not allocated any funding for continued cooperation.

Law Enforcement Efforts. The 1998 Russian Law on Narcotics and Psychotropic Substances criminalized the purchase and possession of drugs and stiffened the penalties for distribution and large-scale trafficking. While this has done little to discourage the growing substance abuse in Russia, it has given law enforcement a somewhat increased ability to deal with serious drug traffickers. However, court sentences continue to be light.

The UNODCCP estimates that the flow of Afghan heroin alone has increased three-fold in the last three years, while Russian law enforcement budgets have remained static, equipment deteriorates and veteran officers are lost to attrition. Little new funding is available for equipment replacement or procurement of new technology. Inadequate budgets, low salaries and a lack of technical resources and support hamper performance and encourage corruption. Funds for training are also extremely limited.

Within these limitations, Russian drug control units continue to strengthen and deepen their interagency cooperation and to reach out to other nations for bilateral and multilateral international cooperation. The recently formed Russian multi-agency Counternarcotics Task Force continues to develop and improve agencies' cooperation. Seizures of heroin are up again this year to 59,000 instances, totaling 655 kilograms, an increase of 134 percent over the first nine months of 1999, which was itself a record number of seizures. Some of the most dramatic increases in trafficking seizures have taken place not in Russia, but on the Afghan-Tajik border where the Russian Federal Border Service provides assistance in cooperation with Tajik forces. According to UNODCCP figures, between July and October 382 kilograms of heroin and 1,916 kilograms of opium were seized. One July seizure alone netted 154.4 kilograms of heroin. In April, Russian border guards eliminated a transshipment base in Tajikistan controlled by Afghan traffickers, seizing 96 kilograms of narcotics.

Corruption. President Putin has said that he will make controlling corruption a priority for his administration, although few concrete steps have been taken to date. Low pay and difficult working conditions continue to foster corruption among law enforcement officials, and there is a reluctance within the law enforcement community to investigate their own.

Agreements and Treaties. Russia is party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. In 1995, the Russian Border Service concluded an agreement with Kyrgyzstan and Tajikistan to reinforce Trilateral Counter Narcotics Cooperation on the borders with Afghanistan, Pakistan and Iran. Russia is a party to the 1992 Kiev Treaty on Cooperation in Interregional Drug Investigations. Russia signed the UN Convention Against Transnational Organized Crime and its Protocols in December, 2000.

The Annex of the Mutual Legal Assistance Agreement of 1996 specifically lists any crime associated with trafficking in illicit drugs and psychotropic substances as a basis for making a request for assistance under the agreement. It lists money laundering, government corruption and organized crime as well. In July 1998, the U.S. Drug Enforcement Agency and the Ministry of Internal Affairs signed a Memorandum of Understanding

(MOU) on Counternarcotics Cooperation. A 1995 MOU between the Russian Federal Border Service and the U.S. Coast Guard provides for cooperation in a variety of areas including Maritime Drug Interdiction. The U.S. Attorney General and the Director of the Federal Security Service (FSB) signed an MOU in 1999 that provided for the sharing of intelligence on counternarcotics between the Drug Enforcement Administration (DEA) and the FSB. No extradition treaty exists between the U.S. and Russia; nevertheless, Russia has been cooperative in assisting in the removal of suspects for purposes of U.S. prosecution.

Cultivation and Production. Although there are no official statistics on the extent of opium cultivation in Russia, the USG has no evidence to suggest that more than 1,000 hectares of opium are cultivated. In the first nine months of 2000, Russian authorities eradicated 5.3 hectares of wild and 7.3 hectares of cultivated opium. Wild cannabis, which is lower in THC than that of cultivated cannabis, is estimated to cover some 1.5 million hectares in the eastern part of the country. Russian authorities eradicated 11,474 hectares of wild cannabis in 2000. There is no statistical data on the harvesting of wild cannabis.

Drug Flow/Transit. Heroin from Afghanistan flows through Central Asia, particularly Tajikistan and Kazakhstan, over the southern border into Russia, for domestic distribution and consumption and for onward shipment to Europe and, to a much lesser extent, the United States. The port city of Astrakhan and the Black Sea port of Novorossiysk are major transit points for Turkish and Afghan heroin into Russia. Vast amounts of daily sea traffic, consisting of passengers, autos on ferries and bulk goods in trucks, are used to conceal heroin trafficked into Russia. All routes mentioned above are also used in reverse to smuggle the precursor chemical acetic anhydride to the clandestine laboratories in Afghanistan and Turkey which produce Afghan and Turkish heroin. The lack of border controls with China and Mongolia facilitates smuggling, including drug trafficking, through that region. In eastern Russia, Chinese drug producers continue to import the precursor ephedrine for the domestic production of methamphetamine in kitchen labs in quantities for personal use. Cocaine traffickers also route Colombian cocaine for transshipment to Europe and elsewhere through Russian seaports and airports.

Demand Reduction. In 2000, Russian authorities demonstrated a marked increase in interest in exploring possible cooperation and assistance in the area of drug abuse prevention and treatment. Russian authorities have expressed interest in developing a comprehensive counter narcotics strategy which would combine education, health and law enforcement, and requested meetings with the U.S. Office of National Drug Control and Prevention to explore the creation of a similar organization in Russia. In 2000, the Ministry of Internal Affairs participated in a U.S. program designed to improve the collection of data on drug abuse and addiction among individuals who have been arrested. Russian law enforcement authorities also have come to support the idea that demand reduction should complement law enforcement efforts to reduce supply. The 1998 Narcotics Law provides for compulsory treatment of drug abusers who come to the attention of the authorities. The law restricts drug abuse treatment to government facilities.

IV. U.S. Policy Initiatives and Programs

The principal U.S. goals are to help strengthen Russia's antinarcotics law enforcement capacity to help meet the challenges of international drug trafficking into and across Russia, and to strengthen U.S.-Russian law enforcement cooperation.

In 2000 the U.S. Department of State Anticrime Training and Technical Assistance Program provided counternarcotics, anticorruption and money laundering training conducted by seven U.S. agencies to over 400 students. Students were primarily enforcement personnel from the Ministry of Internal Affairs (MVD), the Federal Security Service (FSB) and Customs. This training also reached out to legislators, court officials, NGO's and health professionals among others involved in demand reduction and drug abuse treatment. The program also brought over U.S. technical advisors working on institutional change such as facilitating use of the Mutual Legal Assistance Agreement to enhance the structures that encourage bilateral investigative cooperation. We also expanded to the regions, preparing for a government ethics anticorruption program in Samara, and a large-scale regional community police program that contains a significant antinarcotics component.

In a significant example of U.S.-Russia cooperation, the U.S. Drug Enforcement Administration worked with the Russian multi-agency Drug Control Task Force to facilitate a controlled delivery of 64 kilograms of Colombian cocaine found in Miami bound for St. Petersburg for onward shipment to Great Britain. This proved to be a significant confidence-building measure for U.S.-Russian law enforcement, and strengthened and deepened cooperation resulting in a greater number of joint investigations and more open sharing of counternarcotics intelligence.

The Road Ahead. Russia gives an increasingly high priority to counternarcotics efforts and has indicated a desire to deepen and strengthen its cooperation with the United States and other bilateral and multilateral international antinarcotics efforts. We will encourage Russia to develop a comprehensive, long-term national strategy against drugs, which should include measures of effectiveness and be embedded in a national budget. With our Russian counterparts, we will work to develop multidisciplinary sustainable law enforcement assistance projects that combine equipment, technical assistance, and expert advisors in a concerted effort to

develop and strengthen the investigative, enforcement and interdiction capabilities of law enforcement units responsible for drug control in Russia.

Slovak Republic

I. Summary

Slovakia remains a transshipment point for heroin to Western Europe along the "Balkan Route" which runs through the Middle East and Turkey to Germany, France and other western European countries. In 2000, the Government of the Slovak Republic (GOSR) funded the fight against narcotics at slightly higher levels than in 1999. Domestic drug use appears to have risen again in 2000. The GOSR is party to the 1988 UN Drug Convention.

II. Status of Country

One of the main concerns of the GOSR is the continuing use of Slovakia as a transshipment point for smuggling illicit drugs. The GOSR continues to concentrate on East-West smuggling from Ukraine and Russia. Enforcement officials say that Russian organized crime groups have become more active in heroin trafficking this year. Slovak authorities are also placing increased emphasis on the "Balkan Route" and the suspected Albanian criminal organizations that use this route. Slovak officials believe Kosovar Albanian groups are their greatest heroin trafficking threat, and estimate that these organizations control 90 percent of the Slovak heroin market. Albanian traffickers cooperate with criminal organizations in neighboring countries to move heroin to market.

The influence of organized crime on drug sales and use continued to increase in 2000. Slovak police think organized crime has more resources and is masterminding increasingly complex operations. The Slovak police have cracked some organized crime cases, but they admit that they are still unsure of the complete extent of the problem. The GOSR has modestly increased funding to law enforcement, charged with the responsibility for combating illegal narcotics. Slovakia does not have laws that specifically control precursor chemicals involved in the production of illegal narcotics. Authorities do not believe that diversion of these chemicals is a problem in Slovakia.

III. Country Actions Against Drugs

Policy Initiatives. Fighting organized crime and corruption is among the government's top priorities. While the concept of cooperating with other nations in the fight against narcotics trafficking has not been completely absorbed by all branches of the government, the GOSR has cooperated more closely on certain specific cases of international trafficking. Of particular note is the improving cooperation between the Slovak customs directorate, neighboring states and the United States.

Accomplishments. The current government, elected in 1998, has, to a large extent, completed a reorganization of the police and National Drug Service. The Slovak Customs Service is seeking to share more authority with the police in investigating cases of narcotics trafficking.

Law Enforcement Efforts. The number of attempts to smuggle illegal narcotics in 2000 appears to have increased compared with 1999. The majority of those persons apprehended were not Slovak citizens. The border service reports that most seizures at the borders were for marijuana trafficking.

Corruption. The current government is trying to reduce corruption through legal reform and increased education. While observers believe that some progress has been made, most believe corruption is still a serious problem, particularly at the lower levels in the law enforcement community. This corruption affects enforcement of applicable antinarcotics laws. Transparency International continues to advise the Slovak Government on how to draft and implement an effective anticorruption program for government employees.

Agreements and Treaties. The Slovak Republic is a party to the 1988 UN Drug Convention. The bilateral extradition treaty between Czechoslovakia and the United States has continued in force in the Slovak Republic and has, in effect, been updated to encompass drug-related offenses by virtue of the GOSR's ratification of the UN Narcotics Conventions.

Cultivation/Production. Indications are that small amounts of marijuana continues to be grown in all regions of the country, but that it is for domestic consumption only. It does not appear that cocaine, heroin or synthetic drugs are being produced within Slovakia.

Drug Flow/Transit. The shared border with Hungary and Ukraine was the site of the greatest number of attempts to enter Slovakia with illegal substances. The greatest number of attempts to smuggle substances out of Slovakia was noted at the Czech and Austrian borders.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Slovakia enforcement officials have participated in several Department of Justice

courses. These classes were designed to increase the resistance to corruptive influences at the working level, and to improve counternarcotics and anti-organized crime skills.

Road Ahead. Through bilateral cooperation, the U.S. continues to encourage the GOSR to maintain its tough stance on drug interdiction and to expand its enforcement and prevention capabilities through modernizing responsible agencies.

Slovenia

I. Summary

Slovenia is not a major producer or a major transit country for illicit narcotics. However, its location in southeastern Europe has the potential to make it an important transit country in the area. Militating against this, however, is a higher standard of living and more professional police and customs organization than in neighboring southeastern European states. As a successor state to the Socialist Federal Republic of Yugoslavia (SFRY), Slovenia is a party to the 1988 UN Drug Convention.

II. Status of Country

Slovenian counternarcotics authorities believe that Slovenia's location between the Balkans and Central Europe makes Slovenia a "problematic transit area" for heroin being smuggled into Western Europe, by Albanian, Turkish and Italian organized crime groups. They also cite the northern Adriatic Port of Koper as a transit route for South American cocaine and North African cannabis into the Schengen zone of Western European countries. While drug abuse is still not a major problem in Slovenia, interdiction and seizure records indicate that the problem of illegal drugs in Slovenia is on the rise. Heroin abuse is a growing problem in Slovenia, and while quantities of cocaine seized are still small, indications are that the market for it is also growing.

III. Country Actions Against Drugs in 2000

Policy Initiatives/Accomplishments. The GOS has continued to make counternarcotics a priority of its law enforcement entities. In 2000, the GOS took steps to interdict illicit drugs at its borders by cooperating with U.S. officials, including Department of State, Department of Defense, DEA, FBI and Customs, to develop better interdiction, and with EU member states bilaterally and multilaterally to improve interdiction coordination. The Slovenian government signed the SECI Trans-border Organized Crime Center agreement in 2000, and will participate in the SECI center in Bucharest starting in 2001. Slovenia also participates in the European Union's PHARE Multi-Beneficiary Drug Program.

Law Enforcement Efforts. Law enforcement efforts led to an increase in drug seizures in 2000. Law enforcement agencies seized 26,804 ecstasy pills in 2000, compared to 1,749 pills in 1999 and 4,496 pills in 1998. In addition, law enforcement agencies seized 3,431 kilograms of cannabis and 394.8 kilograms of heroin in 2000, compared to 313.8 kilograms of cannabis and 32.2 kilograms of heroin in 1999.

Agreements/Treaties. Slovenia is a party to the 1988 UN Drug Convention and other recent UN narcotics conventions. The 1902 extradition treaty between the United States and Yugoslavia remains in force between the U.S. and Slovenia. Slovenia signed the UN Convention Against Transnational Organized Crime in December, 2000.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. has provided bilateral training for Slovenian customs and border patrol personnel in interdiction of contraband goods, including narcotics, and other narcotics and law enforcement development courses.

The Road Ahead. In 2000, the U.S. will continue to provide counternarcotics and other law enforcement training in Slovenia.

Spain

I. Summary

Spain is an important transit country to Europe for cocaine smuggled from South America and hashish from Morocco and Algeria. Spain remains active in counter narcotics efforts globally, and has pledged \$100 million in financial support for Plan Colombia. Terrorism and drug trafficking remain Spain's highest law enforcement concerns. Spain is a party to the 1988 UN Drug Convention.

II. Status of Country

No opium or coca is grown in Spain, and marijuana production is minimal. However, wide coastlines and dozens of busy year round ports on the Atlantic and Mediterranean make smuggling of cocaine from Colombia and hashish from Morocco and Algeria a profitable business. Spanish law enforcement agencies seize increasing amounts of cocaine each year. Trends indicate that Spain is a chief, and possibly the chief, gateway

for cocaine shipments into Europe.

Illicit refining and manufacturing of drugs in Spain is minimal. However, small-scale laboratories which convert cocaine base to cocaine hydrochloride are discovered and confiscated each year. Spain has a pharmaceutical industry that produces precursor chemicals. There is control of precursor shipments within Spain from the point of origin to destination, administered under the National Plan Against Drugs (PNSD). The majority of heroin that arrives in Spain is transported via the Balkan route from Turkey. Body carriers from West Africa account for most of the remainder of heroin smuggled into Spain.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Spanish parliament approved a new national drug strategy for 2000–2008 in December 1999. The new strategy authorizes the government to monitor modern methods of communication used by traffickers, to tap phone lines without notification, and to sell seized assets in advance of a conviction. It gives legal cover to police informers, creates a registry of vehicles (including ships) capable of being used in drug trafficking, and reinforces border controls. The strategy also establishes a new system to assist the social integration of drug addicts.

On the international front, the strategy targets money laundering and illicit commerce in chemical precursors. It also calls for closer counter narcotics cooperation with France, Italy, Portugal, the UK, Germany, and Andorra, and the establishment of permanent channels for collaboration with the Andean countries, Central America, and the Caribbean. Spain is a leading supporter of Plan Colombia. Spain hosted a major donors conference in support of Plan Colombia in Madrid in July and pledged \$100 million.

The National Central Drug Unit (OCNE) coordinates counter narcotics operations among various government agencies, including the security forces and Customs Service, and appears to function well. There is no evidence of corruption of senior officials or their involvement in drug trafficking.

Accomplishments. Spanish police continued to seize large amounts of cocaine and hashish in 2000. According to Spanish authorities, half of all cocaine seized in Europe is seized in Spain. Notable events during the year included the Spanish police's seizure of 1,800 kilograms of cocaine paste and powder from a clandestine cocaine laboratory in Malaga. Spanish Customs seized 12,000 kilograms of hashish aboard a ship off the coast of Asturias. The Spanish National Police seized 120,000 tablets of Dutch-origin MDMA (ecstasy) at Barajas airport in Madrid. (Four smugglers had taped the MDMA to their bodies and were seeking to depart Spain for the U.S.) The Guardia Civil (GC) seized 700 kilograms of cocaine from a ship docked in Barcelona. The GC seized several hashish shipments each in the 4,000 kilograms range during the year, mostly on the southern coast. In short, Spanish interdiction efforts were aggressive.

Law Enforcement Efforts. Domestic measures to counter illicit drug trafficking and internal operational cooperation fall under the authority (as of January 14, 1997) of the National Central Drug Unit (OCNE). OCNE is comprised of three agencies: the Spanish National Police (SNP) and the Civil Guard (GC), which are part of the Interior Ministry), and the Customs service which is part of Ministry of Economy.

Spain's National Drug Plan Office (PNSD) is the equivalent of the U.S. Office of National Drug Control Policy. It is attached to the Interior Ministry and provides political and strategic direction. The establishment of regional police units in designated zones of high intensity organized crime activity has resulted in greater numbers of cocaine seizures.

Cultivation and Production. Coca leaf is not cultivated in Spain. Opium poppy is cultivated for research purposes under strictly regulated conditions. Insignificant amounts of cannabis are also cultivated. While refining and manufacturing of drugs is minimal, small-scale laboratories convert cocaine base to cocaine hydrochloride. Ecstasy is manufactured in small quantities.

Drug Flow/Transit. Close historic and linguistic ties with Latin America attract Colombian cocaine traffickers, who exploit Spain's position as a bridge to the rest of Europe. Spain's proximity to Morocco and its ample coast result in large hashish shipments.

Demand Reduction. Spain reinforced and extended an antidrug media campaign in 2000. The Office of Spain's National Antinarcotics Coordinator (PNSD) emphasizes a drug prevention message. PNSD has developed mechanisms for dispensing methadone and exchanging needles. PNSD has also developed programs to provide alternative penalties for addicts, making it possible for them to complete their sentences in accredited detoxification and rehabilitation centers. Methadone distribution programs have been extended to all penitentiaries.

Agreements and Treaties. Spain is a party to the 1988 UN Drug Convention. All articles of the convention are applied in Spain. Spain ratified the 1990 Strasbourg convention on August 6, 1998. It entered into force on December 1, 1998. In December 2000, Spain signed the UN Convention Against Transnational Organized Crime and its protocols. Extradition between the U.S. and Spain is governed by a 1970 extradition treaty, which

has three additional supplements. A mutual legal assistance treaty has been in force between the U.S. and Spain since 1993. The U.S. has signed a Customs Mutual Assistance Agreement (CMAA) with Spain.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. goals and objectives in Spain include maintaining and increasing the existing excellent levels of bilateral and multilateral cooperation in law enforcement and demand reduction efforts. We seek to promote continued contacts between officials of both countries involved in all facets of counter narcotics work and related fields. Latin America continues to be an area of opportunity for counter narcotics cooperation.

Multilateral Cooperation. Spain is an important contributor to the UNDCP and is a member of the UNDCP major donors group. Spain is also a member of the Dublin Group and is the chair for Central America and Mexico. Spain is also actively engaged in providing training and promoting institution-building programs aimed at increasing the effectiveness of the judicial and law enforcement sectors in other nations, particularly in South and Central America. The Spanish government has signed criminal legal assistance agreements with the United States, Australia, Chile, Canada, Argentina, Mexico, the Dominican Republic, Uruguay, and Morocco.

The Road Ahead. The U.S. will continue to coordinate closely with Spanish counter narcotics officials. Spain will continue to be a key player in the international fight against drug trafficking and money laundering.

Sweden

I. Summary

Sweden is not a significant illicit drug producing, trafficking or transit country. Swedish drug policy envisions zero tolerance and, longer-term, a drug-free society. The Chair of the National Narcotics Commission announced in December 2000, the need for a special Minister for Drug Issues in Sweden, similar to the U.S. drug czar, to coordinate the efforts of the various departments and agencies. According to law enforcement sources, more drugs are now being seized, and drugs are available in more places in Sweden. For amphetamines, the Swedish drug of choice, purity levels have gone up, and prices have decreased in the last few years, probably due to greater availability.

Swedish authorities remain concerned about the entire drug scene, but in particular continuing brown heroin abuse in immigrant communities, often with Balkan and Middle East connections. Attitudes are slowly changing among the young in Sweden toward a greater willingness to experiment with drugs. Some young people use rohypnol or ecstasy. Drugs from Eastern Europe and the New Independent States (NIS) are a growing problem for Swedish law enforcement. In 2000, Sweden continued its co-operation in international fora, including the UN, the Dublin Group, the Pompidou Group, the EU and cooperated with the Baltic nations to combat drug trafficking and money laundering. Sweden is a party to the 1988 UN Drug Convention.

II. Status of Country

Relative to other European countries, Sweden—both the government and the public—is intolerant to drugs. However, increased travel and study abroad, combined with wider Internet availability, have led to increased exposure to drugs and the liberal attitudes toward drugs of other nations. Cannabis and amphetamines are still the most frequently seized and abused drugs. Police report that indoor cultivation of cannabis remains small scale. Brown heroin (smoked) seems to have increased among immigrant youth. Some young people use ecstasy. The media is giving a lot of attention to the newest drug among youth, GHB (Gamma-Hydroxy-Butyrate), which the government classified as a narcotic drug in 2000. Seizures indicate that some Swedes are using a substance in the fungus *psilocybe semilanceata*.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOS aims to reduce the number of new drug abusers, motivate more drug abusers to end the habit, and diminish the supply of narcotic drugs. Swedish customs and police officials continue to train Baltic authorities in drug trafficking, intelligence work, investigation methods and drug recognition among abusers. They are assisting the Baltic nations, Poland and the St. Petersburg and Kaliningrad areas in various projects, including forensic science (analysis of fingerprints), illegal migration, narcotics, witness protection, and organized crime. The program also gives training through the Nordic-Baltic Police Academy.

Since 1999, the Swedish police have been instituting a three-year project in South Africa to improve policing there and to support the South African police service to work toward decreased crime rates, as well as better relations between the police and the community, thus creating an improved level of safety.

In May 1996, the Heads of Governments of the Baltic Sea States established a Task Force on Organized Crime in the Baltic Sea region to combat the increasing levels of organized crime, including, inter alia, drug trafficking and money laundering. Sweden is the chair of the Task Force and the Task Force's Secretariat is housed at the Ministry of Justice in Stockholm. In 2000, there was one expert meeting on narcotics to plan

activities. In addition, there have been two meetings on the Amphetamine Project in the eastern Baltic Sea region (profiling of amphetamines in a forensic lab in Warsaw). A seminar on money laundering was held in December 2000 in Finland. The Task Force's mandate has been prolonged to 2004.

Sweden participates in a number of international fora, including the UN Commission on Narcotic Drugs, the UN Drug Control Program (UNDCP), the Dublin Group, and the Pompidou Group. Sweden chaired the regional Dublin Group in Africa 1998–99 and contributed about U.S. \$250,000 to the UNDCP "Drug Nexus Study" in Africa in 1998. During 1999 and 2000, Sweden continued actively to promote improvement of multilateral antidrug activities in UNDCP. According to the Ministry for Foreign Affairs, Sweden gave about U.S. \$3.5 million in FY 2000 in contributions to the UNDCP. The 1999 contribution was approximately U.S. \$3.5 million and the 2001 pledge was U.S. \$3.8 million.

Accomplishments. The Swedish International Development Authority (SIDA) received about U.S. \$1 million in 2000 for multilateral and bilateral UN Normative Instruments Projects against drugs and tobacco primarily in Africa, and to a lesser extent in Asia. The 2001 projection is for about U.S. \$1.2 million. In FY 2000, Sweden's contribution to the UN World Health Organization's substance abuse program was about U.S. \$200,000 and the 2001 projection is the same.

The National Narcotics Commission, appointed in 1998, continued its work in 2000, writing broad-based evaluation reports on the drug policy, and proposing ways to strengthen it. The Commission is continuing its work into 2000, with no signal yet that it views its mission as completed. In 1999, Parliament passed new legislation making it punishable to drive under the influence of narcotics or certain medical drugs. To combat the proliferation of synthetic drugs, the criterion "strongly habit-forming" in earlier law text was replaced by "dependence-creating qualities or Euphoria-creating effects" by a Parliament decision in 1999. This will be an easier-to-establish criterion, which the government hopes will speed up investigations. After a decision in the EU Council regarding a joint action on 4-MTA, the substance has been transferred to the Swedish Narcotic Act.

Agreements and Treaties. Sweden is a party to the 1988 UN Drug Convention and is meeting the Convention's goals and objectives. Sweden also is a party to the 1961 Single Convention, as amended by the 1972 Protocol, and to the 1971 Convention on Psychotropic Substances. Sweden signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Sweden has bilateral customs agreements with the United States, Germany, the United Kingdom, The Netherlands, France, Finland, Denmark, Norway, Iceland, Spain, Poland, Russia, Estonia, Lithuania, Hungary, Latvia, the Czech Republic, and Slovakia. Sweden has, through the EU, agreements with several other nations regarding mutual assistance in customs matters. Sweden cooperates with the United States in extradition matters under a 1963 convention and a 1984 supplement.

Sweden was a driving force in elaborating the EU action plan on drugs. In late 2000, Sweden submitted a formal proposal to the EU Council for two council decisions against synthetic drugs in Europe, one regarding the establishment of a system of special forensic profiling of synthetic drugs, and one concerning a transmission system of drug samples within the EU. Discussions on these proposals should occur in early 2000. The National Narcotics Commission proposed that Sweden, as the Spring 2001 EU President, should prioritize issues concerning illegal European production of narcotics, preventive measures, and drug problems in the candidate nations. Sweden continues to work in many different ways within the EU to combat drug abuse.

Law Enforcement. Swedish law enforcement authorities are effective, but decreased financial and staff resources jeopardize the efficient tackling of narcotics crimes. In 2000, there were 13,949 drug seizures by police and customs (compared to 16,078 seizures—end of year statistics) in 1999. The drug most often seized was cannabis, with 4,909 seizures totaling more than one ton for the first 11 months of 2000 (compared to 5,073 seizures for all of 1999, totaling also more than one ton). The second most commonly seized drug was amphetamine, with 4,264 seizures totaling 91 kilograms over January through November 2000 (compared to 5,073 seizures totaling 124 kilograms in 1999). In the first 11 months of 2000, Swedish police and customs also made 1,127 heroin seizures weighing a total of 30.8 kilograms (compared to 64 kilograms in 1,244 seizures in 1999), and 39 kilograms of cocaine in 336 seizures (413.8 kilograms in 254 seizures in 1999). Also in the first 11 months of 2000, there were 373 seizures of ecstasy, totaling 48,788 tablets (compared to 160 seizures yielding 73,250 tablets in 1999).

In April 2000, there was a major seizure (13 kg) of cocaine in Gothenburg Harbor aboard a banana boat from Costa Rica. In June, two cruisers came to Stockholm with a combined stock of over 12 kilograms of cocaine. In December, Stockholm customs found 40,000 tablets of rohypnol from Lithuania. There is also still some illegal diversion of legally prescribed rohypnol. Despite the increase, year after year, in this abuse, the Swedish Medical Products Agency has not yet changed rohypnol's classification to Schedule 2.

In 2000, Swedish police and customs drug liaison officers were located in Paris, Brussels, St. Petersburg, Bangkok, Athens, Copenhagen, The Hague, London, Warsaw, Tallinn, Riga, Berlin, Budapest, Moscow, and

Amman. Sweden has both a customs and a police officer in Europol in The Hague; there are two Swedish policemen at Interpol in Lyon.

Corruption. Corruption is very rare and, when discovered, punished consistently. Anticorruption laws effectively deter public officials from engaging in the illicit production or distribution of drugs, and involvement with money laundering.

Cultivation/Production. No illicit drugs are known to be cultivated or produced in significant amounts in Sweden, but there seems to be a trend toward a small but steady cultivation of cannabis in private homes, using seeds bought via the Internet.

Drug Flow/Transit. In 2000, Sweden remained a destination for synthetic drugs entering through The Netherlands, Germany, and Denmark. Police report an increase in seizures of amphetamines from Estonia, Lithuania, and Poland. Drugs enter the country concealed in commercial goods, overland, by mail, by air, and by ferry, as well as by truck over the new bridge linking Denmark to Sweden. The Netherlands remains the source of approximately half of all amphetamines seized, but a substantial amount originated in Poland, the Czech Republic, and the Baltics. Pakistani brown heroin reportedly is smuggled in by ethnic Albanians from Kosovo, and Macedonia (FYROM), through the Czech Republic or Slovakia, via Germany and Denmark, by ferry to Sweden. Cocaine still is most often smuggled into Sweden by passengers flying in from South America, via EU airports, mainly London, Frankfurt, and Paris. There are also criminal groups from Eastern Europe involved. In 2000, law enforcement officials in Sweden did not discover any drugs intended for the United States.

Demand Reduction. The Swedish National Institute of Public Health coordinates educational initiatives regarding the dangers of drug abuse that is compulsory in Swedish schools. Various private organizations also are active in drug abuse prevention and public information programs. Under Swedish law, individuals who abuse drugs can be sentenced to drug treatment.

"European Cities Against Drugs" (ECAD), an alliance of major cities that espouses zero tolerance policies and no liberalization, is a growing Europe-wide movement founded in Sweden in 1994. The alliance maintains its Secretariat in Stockholm. In September 1999, ECAD opened its first Regional office in St. Petersburg. The organization cooperates with various antidrug organizations in the U.S., including National Families in Action and Drug Watch International, and is expanding its network to Latin America, Asia, and Australia. At present, 236 cities and municipalities in more than 31 European nations are members of ECAD.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The U.S. has sought to be engaged with the Swedes and the Baltic Sea Task Force on Organized Crime and maintains a liaison with the Task Force through its DOJ representative in Brussels.

Bilateral Cooperation. Swedish cooperation with U.S. law enforcement authorities continues to be excellent. Under the rubric of the Swedish EU presidency, the U.S. is exploring cooperation against synthetic drugs and training initiatives in the Baltics.

The Road Ahead. The U.S. looks forward to further strengthening its already good counternarcotics cooperation with Sweden, particularly in the Nordic-Baltic context and former Soviet Union region. The U.S. will pursue enhanced cooperation with the Task Force and, through the Swedes, with the EU.

Switzerland

I. Summary

Switzerland is both a transit and destination country for illicit narcotics, especially heroin. The population strongly supports the government's four-pillar counternarcotics policy highlighting prevention, treatment, harm reduction and law enforcement. Switzerland indicated its commitment to fighting drug trafficking and related money laundering when it agreed to address international economic crime in cooperation with the U.S. in the U.S.-Switzerland Joint Economic Commission Declaration signed in Davos in January.

The heroin prescription program is widely accepted as a form of treatment for hard core addicts. The Swiss government is preparing legislation to provide a permanent legal basis for the program. The proposed revision of the narcotics law would also legalize the consumption and possession of cannabis. At the same time, the Federal Department of Health is devising new drug prevention campaigns and bolstering youth antiaddiction programs. Although the Swiss government has delayed ratification of the 1988 UN Drug Convention until the revised narcotics legislation has passed, it adheres to the Convention in practice.

II. Status of Country

Drug use is widespread among Switzerland's 7.1 million inhabitants. An estimated 500,000 to 600,000 people consume cannabis, the most frequently used drug in Switzerland, more or less regularly. Roughly 30,000 people are addicted to heroin and/or cocaine. While the use of heroin has stabilized and even shown a slight decrease in recent years, the use of cocaine, cannabis and synthetic drugs, especially ecstasy, is increasing.

Police are concerned about the continuing trend by casual users to mix cannabis and other (usually synthetic) amphetamines according to availability or whim. Health Department reports indicate that "cocktail" consumption (mixture of cocaine and heroin injected together) has also increased. Switzerland is not a significant producer of hard drugs. European neighbors have noted Switzerland's cultivation and export of soft drugs. Domestic cannabis cultivation satisfies local demand and a significant amount is exported, primarily to neighboring countries. Narcotics prices are relatively low, thanks to abundant supplies, often of a high grade of purity. According to statistics of Swiss law enforcement authorities, foreigners play a primary role in distribution. While West Africans dominate cocaine trafficking, Kosovar Albanians control the Swiss heroin market.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Switzerland continued its fight against illicit narcotics with a four pillar program, first established as an intensified government antinarcotics effort in 1991. The program hinges on prevention, treatment, harm reduction and law enforcement. In the last two years, the Federal Council opened discussions on draft legislation to revise the 1951 Narcotics Law. The Federal Health Department conducted consultations with cantons, NGOs and other interest groups. Under consideration were Federal Council proposals striving to eliminate loopholes and inconsistencies in the existing law, tighten regulations prohibiting the sale of alcohol and tobacco to youths under 16, and establish a permanent legislative basis for the heroin prescription program. The consultation report revealed broad support for the four pillar policy, for the heroin prescription program, and for increasing the federal government's leading role in national drug policy.

The consultation process also indicated growing support for the Federal Council proposal to revise the status of cannabis under the Narcotics Law. Widespread consumption and legal ambiguities surrounding cannabis led the Federal Council to suggest a cautious course leading to cannabis legalization. At the same time, it called for increased prevention and youth protection measures. Although the consumption of all other narcotics is to remain prohibited, a proposed "opportunity principle" in the draft legislation would grant authorities the power to refrain from prosecuting consumers of narcotics other than cannabis in certain clearly defined situations. The Federal Council will not finalize its proposed legislative changes concerning cannabis legislation until questions relating to the cultivation, manufacture and sale of cannabis and cannabis products are studied further. The Department of the Interior will address concerns about how best to prevent the export of cannabis products and so-called "drug tourism." The Health Agency of the Department of the Interior has been instructed by the Federal Council to draft the legislation for narcotics law revisions and draw up an accompanying interpretative report analyzing the implications and possible international ramifications of such revisions. These reports, along with the final draft legislation, are expected to be presented to parliament in spring 2001, but a vote on the legislation probably will not occur until 2003.

Accomplishments. Through therapy and treatment programs, Switzerland has improved the physical and mental well being of many addicts and reduced incidents of drug-related crime. The total number of cocaine and heroin addicts in Switzerland has stabilized at roughly 30,000 in the last years. Swiss officials credit needle exchange programs with reducing drug-related AIDS and hepatitis infections. Drug-related mortality declined from 209 deaths in 1998 to 181 in 1999. Of these, 103 persons were over 27 years old. The average age of newcomers into the heroin treatment program is 31.9 years.

A new law, which was introduced as the "Efficiency Bill" and passed by parliament in December 1999, aims to make the prosecution of organized crime, money laundering, corruption and other white-collar crime more effective by increasing personnel and financing of the criminal police section of the Federal Police Office. The new law confers on the Federal Police and Attorney General's office the authority to take over cases that have international dimensions, involve several cantons, or which deal with money laundering, organized crime, corruption and white-collar crime. The law comes into effect January 1, 2002.

Law Enforcement Efforts. The number of apprehensions under the narcotics law dropped slightly to 44,307 (from 45,726 in 1998). Approximately 80 percent of those offenses were for consumption. While cannabis seizures were cut almost in half, undoubtedly due to a shift of resources and emphasis toward combating harder drugs, slightly more cocaine and LSD was seized in 1999. In the course of the ongoing investigative police action known as "sippe" (translated as gang or clan), 98 drug dealers and couriers were arrested in 30 operations between 1996 and 1999. Drugs, weapons and over 1.2 million Swiss Francs in cash were seized. The most significant prosecution involved two Kosovar brothers, deputy heads of a Kosovo-Albanian drug ring, who were arrested on suspicion of money laundering and dealing up to 100 kilograms of heroin. In March, a Zurich court sentenced the brothers to 10.5 and 8.5 years imprisonment respectively.

Approximately 200 hemp shops operate throughout Switzerland. They sell a variety of cannabis products, including tea, oil, foods and beverages, cosmetics, textiles and so-called "sachets." Ostensibly sold to freshen-up closets and drawers, the sachets contain a quality of marijuana suitable for smoking. Following a series of police raids on hemp shops, a federal court ruled in March 2000 that selling hemp products with a THC level above 0.3 percent, at high prices, was a violation of the narcotics law regardless of how the shop had labeled

the hemp.

Corruption. Incidents in which low-level public officials are allegedly involved in corruption related to narcotics trafficking are virtually unknown.

Agreements and Treaties. Switzerland and the U.S. cooperate in law enforcement matters through bilateral extradition and mutual legal assistance treaties. Switzerland has been re-elected to the UN Commission on Narcotic Drugs (CND). It supports and is a major donor to the UNDCP, and works closely with the International Narcotics Control Board (INCB), the World Health Organization (WHO), and the Council of Europe's cooperative Group to Combat Drug Abuse and Illicit Drug Trafficking (Pompidou Group). Switzerland fully adheres to the 1988 UN Drug Convention in practice and has adopted legal instruments to implement its provisions. Formal ratification, however, is delayed until revisions to the narcotics law are completed. Revisions allowing for a more liberal policy on personal drug consumption and granting cantonal courts more discretion in sentencing may require the federal government to ratify the convention with two reservations. Ratification will likely take place in 2003. In 2000, Switzerland signed the UN Convention Against Transnational Organized Crime.

In 1996, Switzerland became party to the 1971 UN Convention on Psychotropic Substances. The government intends to conform national law to the Chemical Action Task Force (CATF) recommendations and new European Union regulations.

Cultivation and Production. Police estimate that over 200 tons of hemp will be harvested in Switzerland this year. Easily satisfying domestic demand, Swiss hemp is also exported, primarily to neighboring countries. The existing Swiss narcotics law permits the cultivation of hemp if the harvest is not destined for narcotics use. Government subsidies are available to farmers growing hemp with THC levels below 0.3 percent. Production appears to be increasing, but exact figures are not available. Indeed, last year police estimated production at 300 tons; the quasi-illicit nature of the crop makes estimating its production an uncertain science at best. Much of the increased production is likely illegal. Police have also expressed concern over the increase in domestic production of ecstasy and other synthetic drugs.

Drug Flow/Transit. Switzerland is both a transit country for drugs destined for other European countries and a destination for narcotics deliveries, especially heroin and cocaine.

Domestic Programs/Demand Reduction. Switzerland focuses heavily on prevention and early intervention to prevent casual users from developing a drug addiction. Youth programs encouraging abstinence and promoting a healthy lifestyle cost the Government of Switzerland U.S. \$22–25 million annually. A new nationwide program aimed at high-risk youths was announced in November 1999. With over 100 public and private institutions providing drug counseling therapy, and an annual budget of U.S. \$160–\$190 million, Switzerland has the capacity to provide therapy to two-thirds of its approximately 30,000 cocaine and heroin addicts.

In September the Federal Health Department published a new comprehensive assessment of the heroin prescription program. In 1999 a total of 148 kilograms of heroin were used by treatment centers. Eighty-four percent of this (or 124 kilograms) was for injection and the rest was in tablet form. Two hundred and thirty kilograms were imported (the stored amount is generally larger than actually required to prevent program disruption through delivery or harvest fluctuations). In 1999, 1,065 addicts were in the heroin prescription program. The Department of Health reviewed all patients who had been in treatment for at least two years and found that their physical and mental well being, social conduct and consumption habits had improved significantly. Of the 180 people who left the program in 1999, 60 percent (or 107) of these switched to methadone treatment or to abstinence-oriented treatment. Sixteen heroin treatment centers operated in Switzerland at the end of 1999 and the government has approved the establishment of five additional centers.

The Health Department plans to continue evaluating the program, researching special addict groups and increasing international consultation and dialogue. An international workshop on heroin-assisted treatment is to take place in Switzerland in early 2001.

Measures are aimed at limiting harm and seeking to protect the health of addicts during the addiction period as much as possible. Because of the high risk of HIV and hepatitis infection among intravenous drug users, the federal government supports various harm reduction measures. These include needle exchange programs, injection rooms, housing and employment programs (because the risk is inversely proportional to the level of social integration). Compared to the late 1980's, the incidence of new HIV infections among addicts has decreased significantly.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. officials continue to receive excellent cooperation from their Swiss counterparts in justice and law enforcement efforts to combat narcotics trafficking and money laundering. Over the past few years, Swiss cooperation with embassy agencies have resulted in prosecutors freezing over \$300 million in illicit drug-related assets in Swiss banks.

Organized within the framework of the bilateral Joint Economic Commission, Swiss and American government and private sector officials met in December for two days of anti-money laundering/economic crime consultations in Bern, Switzerland. The event reflected the growing cooperation between the U.S. and Switzerland in law enforcement/anti-money laundering cooperation.

The Road Ahead. The USG will continue to build on its strong bilateral cooperation in the fight against narcotics trafficking and money laundering. It will monitor Switzerland's revisions of its narcotics law and urge Swiss authorities to ratify the 1988 UN Drug Convention without reservations. The U.S. will seek further expert-level meetings between U.S. and Swiss finance and law enforcement officials in the framework of the U.S.-Swiss Joint Economic Commission in order to deepen cooperation. The U.S. will continue to express concern that Switzerland's heroin treatment program is not in the long-term interest of Swiss society.

Tajikistan

I. Summary

Tajikistan is not a major producer of narcotics but is a major transit country for heroin and opium from Afghanistan through Central Asia and on to Russian and European markets. The volume of drugs following this route via multiple methods of transportation is significant and growing. Although there were notable gains in the total volume of drugs seized, the government continued to demonstrate little overall ability to combat drug trafficking and other narcotics-related problems in a coordinated manner. Drug abuse of heroin, opium and cannabis is a serious and growing problem. Tajikistan's medical infrastructure is highly inadequate and cannot address the population's growing need for addiction treatment and rehabilitation. The government remained committed during the year to implementing a counternarcotics strategy and cooperative programs with the UN Office for Drug Control and Crime Prevention (UNODCCP). It also participated in the UN Six Plus Two counternarcotics initiative, signing the Regional Action Plan, which it helped to draft. Tajikistan is a party to the 1988 UN Drug Convention.

II. Status of Country

Geography and economics have made Tajikistan an attractive transit route for illegal narcotics. Its border with opium-producing Afghanistan, which is dominated by mountainous terrain, is thinly guarded, difficult to patrol, and easily crossed without inspection at a number of points. The disruption of normal economic activity during the 1992-1997 civil war gave rise to a warlord class whose leaders continue to jostle for control of the lucrative narcotics trade. With average monthly income in the country remaining at less than \$10, the temptation to become involved in narcotics-related transactions remains high for many segments of the society. In-country cultivation is minimal, and the government is unaware of any processing or precursor chemical production facilities. The amount of narcotics cultivation of cannabis and opium poppies within Tajikistan is relatively small, and the government claims to have reduced it through rigorous law enforcement efforts.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Presidential Office's Drug Control Agency (DCA), created in 1999 with UNODCCP support, began to engage in and implement a number of programs with the UNODCCP designed to strengthen Tajikistan's drug control capacity. The programs are part of a "Security Belt" strategy to stem drug trafficking from Afghanistan. The DCA aims to centralize government counternarcotics efforts and support drug treatment and rehabilitation efforts. While political pressures, or worse, can be used against authorities to deter them from focusing on major traffickers and their organizations, the government appears to be giving counternarcotics law enforcement a higher priority than in the past. Resources, however, remain limited.

Accomplishments. Despite a slow start due to a lack of resources and infighting with other government security organs, the DCA became fully operational in April and was officially inaugurated in October 2000. It recruited and trained a capable staff well regarded by the UNODCCP.

Law Enforcement Efforts. During the first nine months of 2000, Tajikistan officials reportedly seized 4.2 tons of illegal narcotics, including 1,218 kilograms of heroin and 2,954 kilograms of opium—a notable increase over the previous year's totals of 709 kilograms of heroin and 1,269 kilograms of opium. Russian Border Guard personnel were responsible for more than half the seizures by volume. Although national and Russian border forces are Tajikistan's first and main line of defense against illegal narcotics trafficking, they remain unequal to the task. Given low pay and incentives for corruption, they are often, in fact, part of the problem.

Corruption. Influential figures from both sides of the civil war, many who now hold government positions, are widely believed to have a hand in the drug trade. While it is impossible to determine how pervasive drug corruption is within government circles, it is a fact that salaries for even top officials are low and often seem inadequate to support the lifestyles many officials maintain. Even when arrests are made, the resulting cases are not always brought to a satisfactory conclusion. As a matter of policy, however, Tajikistan does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled

substances, or the laundering of proceeds from illegal drug transactions. While accusations of drug-related corruption are routinely made by political figures against their enemies, there is no direct evidence of senior officials of the government engaging in, encouraging, or facilitating illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. Tajikistan is a party to the 1988 UN Drug Convention and other UN narcotics-related agreements as well. It signed the Central Asian Counternarcotics Protocol with the UNODCCP and neighboring Central Asian countries. Tajikistan is a party to the World Customs Organization's International Convention on Mutual Administrative Assistance for Prevention, Investigation, and Repression of Customs Offenses (the Nairobi Convention), Annex X on Narcotics Cases. Tajikistan signed the UN Convention Against Transnational Organized Crime in December 2000.

Cultivation/Production. Opium poppies and, to a lesser extent, cannabis, are cultivated in limited amounts, most in the northern Aini and Pendjikent districts. Cultivation has been limited by law enforcement efforts as well as the fact that it is cheaper and safer to cultivate opium poppies in neighboring Afghanistan.

Drug Flow/Transit. An estimated 80 percent of the narcotics produced in Afghanistan are smuggled across the border into Tajikistan's Shurobod, Moskovski, and Panj districts, according to government figures. While the government may be overestimating the percentage of Afghanistan's drug production that transits Tajikistan, the total volume of drugs is certainly high. One UN estimate put the amount of heroin from Afghanistan going through the country at roughly between 30 to 50 tons a year. Hashish from Afghanistan also transits Tajikistan en route to Russian and European markets.

Domestic Programs/Demand Reduction. The new DCA began to implement some experimental initiatives aimed at increasing drug awareness, primarily among school children. The number of young addicts continues to grow.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The USG is committed to providing counternarcotics and law enforcement training to Tajikistan. In spite of the security restrictions that prohibit USG training personnel in Tajikistan, law enforcement training was provided in venues outside the country.

The Road Ahead. The UNODCCP will remain the principal agency supporting counternarcotics efforts in Tajikistan. The U.S. will continue to provide law enforcement training, encourage similar support from Western European countries, and promote regional cooperation as essential to improve counternarcotics performance for all countries in the region.

Turkey

I. Summary

Turkey continues to be a major transit route for Southwest Asian opiates moving to Europe. Turkish law enforcement organizations continue to focus efforts on stemming this transit and on disrupting illicit laboratories within Turkey, which process smuggled opiate raw materials into heroin. There is neither appreciable cultivation of illicit narcotics in Turkey nor any indication of any diversion from Turkey's licit opium production program. The U.S. discontinued its annual assistance program to Turkey in 2000 when Turkey did not accept human rights language in the bilateral letter of agreement. Turkey is a party to the 1988 UN Drug Convention.

II. Status of Country

Turkey remains a major transshipment point for heroin passing from Southwest Asia, primarily through Iran, to European markets. Although there is no reliable data on heroin and other illicit opiates transiting Turkey, DEA estimates that the flow to Europe remains at between four and six tons of heroin each month. The continued discoveries of processing labs and seizures of illicit precursor chemicals, such as acetic anhydride, indicate that refining heroin in Turkey remains a problem. Turkey is one of the world's two traditional licit opium poppy growing countries, as recognized by the USG and the International Narcotics Control Board (INCB). The Government of Turkey (GOT) maintains strict controls on its licit poppy program, which provides opiates for the international pharmaceutical market.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The GOT and its law enforcement and antinarcotics forces have long attached top priority to disrupting narcotics trafficking and continued to do so in 2000.

Accomplishments. In 2000, the GOT staged a major campaign against corruption. The Interior Minister, in conjunction with the Turkish National Police and Customs, conducted widespread operations against fictitious exports and government corruption, particularly in Turkey's eastern and southeastern provinces. The GOT hosted a UNODCCP conference on acetic anhydride as part of its increased efforts to crack down on

illegitimate importers of precursor chemicals. In cooperation with the UNODCCP, Turkey opened a training academy to provide instruction to counternarcotics officers from Turkey and regional countries.

Law Enforcement Efforts. During 2000, Turkish law enforcement agencies, including the Turkish National Police, the Jandarma (rural police), Customs and the Coast Guard, seized over 5.9 tons of heroin, 25.6 tons of hashish and thousands of pills. There were 6,131 drug-related arrests (a 20 percent increase from 1999) and a significant increase in seizures of precursor chemicals, including acetic anhydride. Much of the increase in seizures, particularly of hashish, came from operations in eastern Turkey, particularly around Lake Van. The Jandarma, with responsibility for patrolling Turkey's vast rural areas, also made several significant seizures this year. Turkish officials continue to maintain a close relationship with USG and European counternarcotics counterparts, as well as with the UNODCCP. GOT counternarcotics forces increased the sophistication of their operations, including their ability to conduct controlled deliveries domestically and internationally.

Corruption. While corruption remains prevalent in Turkey, it is rarely associated with narcotics. The Interior Minister's campaigns against corruption, particularly in the government, have received widespread public support.

Agreements and Treaties. The GOT has long-standing bilateral treaties covering extradition and mutual legal assistance in criminal matters with the USG. It is a party to the 1988 UN Drug Convention. It has signed various bilateral and multilateral agreements with countries in the region for cooperation in counternarcotics and other law enforcement efforts. Turkey signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

Cultivation/Production. The Turkish Grain Board (TMO) strictly controls licit opium poppy cultivation, with no apparent diversion into illicit channels. Illicit cultivation of narcotic plants, primarily marijuana, is minor and has no impact on the U.S.

Drug Flow/Transit. Heroin and morphine base are smuggled through Turkey's eastern border to European markets. Morphine base is refined in illicit labs, most often in Turkey's rural southeast or near Istanbul. Heroin is most commonly transferred to Europe hidden in containers on TIR (trans-international route) trucks, which are only subject to customs investigations in source and final destination countries. Historically, there has been little evidence that significant amounts of heroin from Turkey enter the U.S., either directly or through another transit state. Nevertheless, Turkey remains a country of concern to the USG.

Domestic Programs/Demand Reduction. The incidence of substance abuse in Turkey remains low, although surveys indicate that the abuse rate among school children continues to grow and is beginning at an earlier age. Turkey's oldest drug prevention and substance abuse clinic, the Istanbul AMATEM, has broadened its outreach to local schools and doctors in an effort to better educate children about the dangers of drugs. The Ministry of Health has been working on preparing a national plan to combat drug abuse for several years. The GOT established a national council with representatives of all concerned ministries, the Istanbul AMATEM and university faculties, which meets monthly to discuss strategies and coordinate efforts. While Turkish society is increasingly aware of the need to combat drug addiction, and the government is committed to address the problem, the government agencies charged with primary responsibility for drug awareness and treatment remain chronically underfunded and must compete for increasingly scarce GOT funds.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. policy remains to assist Turkey to strengthen its law enforcement capability to combat narcotics trafficking. The USG has provided Turkish law enforcement entities with training and equipment through an annual program of assistance. Under this program, the USG has also helped the GOT improve its licit poppy production program to prevent its diversion into illicit channels. In 2000, the GOT did not sign the bilateral agreement on assistance because of USG language on human rights. As a result, once previous year assistance funds are used, no further funding for training and equipment will be provided.

Bilateral Cooperation. USG and GOT law enforcement entities have steadily increased cooperation on counternarcotics efforts. Turkish counternarcotics forces have also become increasingly professional, in part based on training and equipment they received from the USG.

Road Ahead. Law enforcement cooperation will continue between the USG and GOT entities to stem the flow of narcotics. As Turkey prepares to join the European Union, it will need to significantly improve its narcotics interdiction capability. For the next several years, tight budgets will limit the ability of Turkish counternarcotics forces to obtain the equipment they need to pursue their primary focus of interdicting and disrupting narcotics flows across Turkey.

Turkmenistan

I. Summary

Turkmenistan is not a significant producer or source country for illegal drugs or precursor chemicals. However,

largely due to its rugged and remote 1,180-kilometer border with Afghanistan and an 800-kilometer frontier with Iran, Turkmenistan remains a crucial transit route for drug trafficking to Turkish, Russian and European markets and precursor chemicals to Afghanistan. Counternarcotics efforts in Turkmenistan are carried out by the Committee for National Security (KNB), the Border Guards, and the State Customs Committee. The Government of Turkmenistan is committed to supporting a vigorous counternarcotics effort but its law enforcement agencies are hampered by a widespread lack of equipment, resources and training. Although statistics are difficult to obtain, government officials and non-government organizations believe that domestic drug abuse, more often of opium and marijuana, is steadily increasing. Turkmenistan participates in the UN Six Plus Two narcotics initiative, although it did not sign the Regional Action Plan it helped to draft. Turkmenistan is a party to the 1988 UN Drug Convention.

II. Status of Country

Turkmenistan's use as a 2-way transit country for drugs and precursor chemicals is aided by heavy commercial truck traffic with Iran, Caspian Sea ferry boat traffic from Turkmenistan to Azerbaijan and Russia, and international flights connecting Ashgabat with nine international airports around the world. The bulk of Turkmen law enforcement resources and manpower are directed at stopping the flow of drugs from Afghanistan, exposing Turkmenistan's considerable border with Uzbekistan to increased use by narcotics smugglers.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Earlier this year the Turkmen parliament approved new legislation allowing police to legally search a residence only after presenting evidence of the presence of weapons, explosives or more than five kilograms of narcotics to a city, county or regional government-appointed commission, which then decides whether to issue a search warrant. The Turkmen criminal code allows for the death penalty in certain trafficking cases; however, a 1999 presidential moratorium on capital punishment remains in force.

Accomplishments. A national drug intelligence information center sponsored by the UN Office of Drug Control and Crime Prevention (UNODCCP) should be completed and operational beginning in 2001. It connects a central server in the Ministry of Internal Affairs with computer systems in the State Drug Control Commission, the Committee for National Security, the Border Guards, the General Prosecutor, and the Ministry of Health to facilitate collection, analysis and exchange of drug-related intelligence and enhance the effectiveness of Turkmen counternarcotics efforts. At the October 2000 UNODCCP/OSCE international conference on drugs, organized crime and terrorism, the Government of Turkmenistan formally approved its participation in the UNODCCP-sponsored precursor control project for Central Asia and signed the conference draft agreement on priority areas of cooperation.

Law Enforcement Efforts. The Government of Turkmenistan continues to give high priority to counternarcotics law enforcement. Despite a lack of modern equipment and sufficient transport, Turkmen border forces are remarkably effective in detecting and interdicting illegal crossings by armed smugglers. According to government reports, in the first six months of 2000 Turkmen law enforcement agencies detained 181 border violators and seized 1,111 kilograms of narcotics. In addition, Turkmen border forces intercepted 17 smuggling groups and were involved in 7 armed clashes in which 9 smugglers were killed. On March 29, 2000, Turkmen border forces on the Iranian frontier clashed with ten armed smugglers in which seven smugglers were killed and 701 kilograms of opium seized.

Corruption. Statistics or information concerning police corruption in Turkmenistan are difficult to obtain. However, low salaries combined with broad general powers, fosters an environment in which corruption could readily occur.

Agreements and Treaties. In 1996, Turkmenistan became a party to the 1998 UN Drug Convention, the 1961 UN Single Convention and its 1972 protocol, and the 1971 UN Convention on Psychotropic Substances. It has signed agreements on counternarcotics cooperation with its Central Asian neighbors.

Cultivation and Production. Turkmenistan is not a significant producer of illegal drugs, although small-scale opium and cannabis cultivation is thought to occur in remote mountain and desert areas. Each spring, the government conducts limited aerial inspections of outlying areas in search of illegal cultivations, which are eradicated immediately.

Drug Flow/Transit. Turkmenistan remains a primary corridor for transit of morphine base and heroin to Turkey and opium and heroin to markets in Russia and Europe, and for the shipment of precursor chemicals, mainly acidic anhydride, to heroin laboratories in Afghanistan. According to government officials, the quantity of drugs and precursor chemicals intercepted this year along the Afghan border, as well as the total number of drug seizures, has significantly decreased compared to recent years, because of the concentration of Turkmenistan's law enforcement efforts along this border. However, the nearly 1,800-kilometer Uzbek frontier remains thinly staffed by Border Guard forces in comparison to its boundaries with Afghanistan and Iran.

Domestic Programs/Demand Reduction. The Turkmen Ministry of Health estimates that approximately 6 to 7 percent of the population use illegal drugs, though unofficial estimates put the user population at 8 to 9 percent. The Ministry of Health operates six drug treatment clinics located in the capital Ashgabat and each of its five provinces. Addicts may receive treatment at these clinics without revealing their identity and all clinic visits are kept strictly confidential. In September 2000, the government permitted the implementation of a UNODCCP/UN AIDS project for the prevention of drug abuse, aids and sexually transmitted disease among Turkmen youth. The project calls for a drug abuse assessment of five to six Turkmen cities over a one or two month period.

IV. U.S. Policies and Initiatives

Bilateral Cooperation. The USG seeks to assist Turkmenistan in updating its law enforcement institutions and body of law to more effectively counter the illegal drug trade. Turkmen officials participated in USG-sponsored training programs in 2000, including courses for narcotics interdiction for border forces, regional and in-country drug enforcement seminars, and law enforcement seminars at the International Law Enforcement Academy in Budapest, Hungary.

The Road Ahead. The USG will continue to cooperate with Turkmenistan in its fight against the illegal drug trade. Through international and non-government organizations and programs, such as UNODCCP and the American Bar Association, the USG plans to assist Turkmenistan enhance its judicial and legal institutions to combat narcotics smuggling organizations and crime associated with illegal drugs. The USG will encourage long-term demand reduction efforts and foster supply reduction through interdiction training, law enforcement institution building and the promotion of regional cooperation.

Ukraine

I. Summary

Trafficking in and use of narcotics continue to increase in Ukraine in 2000. The government of Ukraine continued to take concrete steps to limit illegal cultivation of poppy and hemp. The transit of narcotics through Ukraine remains problematic. Ukraine is a party to the 1988 UN Drug Convention, and follows the provisions of the convention in enacting antinarcotics legislation. Combating narcotics trafficking continues to be a national priority for law enforcement bodies, though insufficient funding seriously hinders Ukrainian efforts. Coordination between law enforcement agencies responsible for antinarcotics work has improved but still remains a problem for regulatory reasons.

II. Status of Country

Although Ukraine is not a major drug producing/transit country, Ukrainian officials state that trafficking of narcotics through Ukraine is increasing due to its geopolitical location. The domestic use of narcotics is also rising and the number of drug addicts has been reported to be increasing. Ukraine is becoming a significant transit corridor for narcotics originating in central and Southeast Asia. Numerous ports on the Black and Azov Seas and porous borders, poorly financed and under-equipped border and customs controls make Ukraine attractive to drug trafficking activities.

According to preliminary statistics for the first 11 months of 2000, approximately 41,657 criminal cases involving narcotics were prosecuted, a minor increase over last year's figures. About 20,107 people have been confined during the first 11 months of 2000 for drug-related offenses. Approximately 30,535 persons were administratively fined for minor drug-related violations, a one-third increase over last year's figures. Unemployed persons under the age of 30 committed most crimes connected with drugs.

The number of officially registered drug addicts in Ukraine now exceeds 100,000, an increase of approximately 15,000 over last year's figures. The number of unregistered abusers is estimated to be three to four times that number. Marijuana is getting more popular with young people. Nevertheless, opium straw extract remains the main drug of choice for addicts. The younger generation uses synthetic drugs more frequently. Hard drugs such as cocaine and heroin are still too expensive for Ukrainian drug users, but law enforcement officials indicate a rise in heroin use due to the reduced price for this drug. Ukrainian efforts to combat narcotics are seriously hampered by the lack of resources (e.g. Financing, personnel, equipment) available to combat narcotics.

III. Country Actions Against Drugs in 2000

Policy Initiatives. During the last five years the Ukrainian parliament has passed a package of drug control laws. The laws are well drafted and constitute a solid legal basis for combating narcotics effectively. These laws are in line with the 1988 UN Drug Convention. Ukrainian law enforcement officials praise the drug control legislation for being an effective tool in drug enforcement.

Under this legislation, the counternarcotics enforcement responsibility is given to the Ministry of Interior (MVD), the State Security Service (SBU), the state customs service and the border guards. In 1993, the Drug

Enforcement Department (DED), an independent department within the MVD, was created. The DED reports directly to the MVD and is staffed presently by 1,725 personnel. Despite understaffing, the DED has achieved positive results in combating drug trafficking.

The national antinarcotics coordinating council, established in 1994 in the cabinet of ministers to coordinate the efforts of government and public organizations to combat drugs, is currently drafting a 2001–2005 antidrug program. Although many of the steps under the previous antidrug plans (1994–1997, 1998–2000) were restrained by lack of funds, the MVD is giving top priority to antidrug actions and is providing overall support to the extent available.

Drug trafficking groups are increasingly using Ukrainian seaports to transport drugs to the west. Therefore, in 1997, the government tasked the state security service to interdict the shipment of drugs by sea. The authorities have also increased counternarcotics measures to interdict drugs at Ukrainian airports.

Accomplishments. As stated above, Ukraine's efforts to implement its antidrug plans have been hampered by the severe lack of funding for law enforcement and social agencies. Nevertheless, the Ministry of Health and the Ministries of Education and Culture are working with the MVD to intensify national antidrug educational programs.

According to Ukrainian government statistics, Ukrainian law enforcement agencies were successful in seizing approximately 29 tons of narcotic drugs during the first eleven months of 2000. This included in-country seizures of 12 kilograms of heroin, 6.5 tons of marijuana, 110 kilograms of opiates, 10 kilograms of hashish, 22 tons of opium poppy straw, 26 doses of ecstasy and 4,707 doses of LSD. The MVD was successful in uncovering 1,572 drug dens as well as 78 laboratories, some of which were producing synthetic drugs. The government conducted a large-scale operation named "poppy" to destroy poppy and hemp fields. In 2000, government authorities destroyed 195,000 square meters of opium poppy fields, 34,000 square meters of marijuana and 15,000 square meters of wild cannabis. Local consumption absorbs most of what is grown. Law enforcement bodies succeeded in breaking up 2,341 criminal groups involved in drugs activities, with most consisting of just a few people.

Ukrainian drug enforcement units remain understaffed and under funded. Approximately 1,725 officers have been assigned to drug units throughout Ukraine. Cooperation between law enforcement agencies combating narcotics (mainly MVD, SBU, customs and border guards) is improving; though it is still severely hampered by conflicts over investigative jurisdiction.

Corruption. Ukrainian politicians, private citizens, and international experts, point out that corruption remains a major problem hampering the investment climate and economic reforms. Corruption in Ukraine has an impact on the effectiveness of efforts to combat organized crime, which is involved in the narcotics business. The Ukrainian government has adopted a set of laws and decrees to combat corruption. The president signed the latest anticorruption decree in November.

Agreements and Treaties. Ukraine is a party to the 1988 UN Drug Convention. It is also a party to the agreement of the police forces of the members of the Commonwealth of Independent States, which provides for coordination of operational drug control activities, and bilateral antinarcotics agreements were signed with the security services of Belarus and Russia. Intergovernmental agreements providing for joint enforcement efforts against illicit drug trafficking have been signed with the Czech Republic, Austria, Hungary, Poland, Bulgaria, Romania, Slovakia, and the United Kingdom. The Ukrainian parliament ratified the U.S.–Ukraine Mutual Legal Assistance Treaty in criminal matters in September. Ukraine signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation and Production. Opium poppy is primarily grown in western, southwestern and northern Ukraine, while hemp cultivation is concentrated in the eastern and southern parts of the country. Small quantities of poppy and hemp are grown legally by licensed farms, which are closely controlled and guarded. The cabinet of ministers has approved such cultivation for the food industry in late 1997. In 2000 special licenses were issued to 26 farms to grow poppy on 3,147 hectares and to 53 farms to cultivate hemp on 2,559 hectares.

Drug Flow/Transit. Ukraine continues to experience an increase in drug trafficking from central and Southeast Asia, Russia, Romania and Poland. In 2000, 41 channels of international drug trafficking were closed. Shipments are usually destined for the west, and arrive primarily by road, rail or sea. While some are produced locally, synthetic drugs are basically imported from Romania, Hungary, Poland, Germany and other European countries.

The importance of Ukraine to drug traffickers as a transit corridor to western and central Europe continues to increase. This is evidenced by the seizures in 2000 of drugs transiting Ukraine: 3.6 kilograms of heroin (originating from Pakistan), 550 kilograms of opium straw (destined for Belarus), and 2.5 ton of marijuana. The DED reports a reduction of cocaine seizures (total 77 grams), as a result the closure of the drug channel from Ecuador.

Demand Reduction. Ukrainian officials are trying to reduce drug demand through preventive actions at schools since most Ukrainian drug abusers are under the age of 30. Drug information centers have been opened in the cities with the highest levels of drug abuse. A number of rehabilitation programs have been conducted throughout the country by NGOs with the assistance of international institutions.

IV: U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. mission priorities and objectives for law enforcement–related assistance are to assist Ukrainian law enforcement authorities to develop more effective programs on border control, money laundering, protection of intellectual property rights, and trafficking of women and children. In support of these objectives, U.S. assistance programs have included training on drug interdiction, combating organized crime and corruption, combating money laundering and financial crimes, antitrafficking efforts, forensic science and related areas. The U.S. has also provided assistance in the development of new draft laws on money laundering, a criminal code, a criminal procedure code and a law on the judiciary.

Road Ahead. Compared to international standards, Ukraine does not yet have a serious drug problem. However, trafficking of narcotic drugs from Asia and South America to European destinations through Ukraine is increasing as the drug traffickers look for new ways to circumvent western European customs and border controls. Demand reduction and treatment of drug abusers are problems requiring close attention. Law enforcement agencies need continued assistance in modern techniques to fight drug trafficking. Ukrainian authorities have expressed interest in more U.S. training and assistance to combat narcotics trafficking.

United Kingdom

I. Summary

The United Kingdom (UK) is a consumer country of illicit drugs. In the course of legitimate business it produces and exports precursor and essential chemicals that could be used to manufacture illicit drugs. The UK strictly enforces national precursor chemical legislation in compliance with European Union (EU) regulations. Implementation of stricter legislation appears to have reduced the vulnerability of British financial institutions throughout the Crown dependencies and overseas territories to money laundering, but offshore banking facilities in the Channel Islands, Isle of Man, and Caribbean Overseas Territories (COTS) remain attractive to drug funds. Crime syndicates from around the world tap into the underground narcotics market, and use the UK as a major shipping route. Like other developed nations, the UK faces a serious domestic drug problem. The UK is in the third year of a ten-year drug strategy, monitored by the UK Antidrug Coordinator (UKADC), Keith Hellawell. The U.S. and the UK held their first drug summit in October 1999. The UK is party to the 1988 UN Drug Convention.

II. Status of Country

British drug policy addresses both supply and demand reduction, while the Government's antidrug strategy addresses international, national, regional, and local plans and initiatives. Marijuana remains the most-used illicit drug in the UK. With an estimated 200,000 problem opiate users, however, a major concern is heroin and other more harmful drugs (notably powder and crack cocaine). Cocaine use seems to have been on the increase over the last four years, especially among young people. The region around Edinburgh and Glasgow, Scotland is particularly hard hit by heroin problems, but virtually all parts of the UK, including many rural areas, confront the problem of drug addiction to at least some degree. The death toll from heroin and morphine rose from 445 in 1997 to 632 in 1998 in England and Wales. Similarly, in Scotland the figure rose from 73 in 1997 to 163 in 1999. Deaths from heroin misuse in Northern Ireland probably amount to no more than one or two per year. British authorities are also concerned about the use of powder cocaine, amphetamines and ecstasy (MDMA), particularly among young people in London and other large cities' popular club scenes. Some British narcotics experts believe that ecstasy use, after having leveled off in the past two years, is on the rise again.

The number of people dealt with by the Criminal Justice System for possession of crack or powder cocaine has roughly doubled, from 2,012 in 1997 to 4,143 in 1998. In the 1999/2000 British fiscal year, Customs seized Class A (Schedule One) drugs valued at \$1.9 (1.2BPS) billion. Seizures of some other drugs (e.g., cannabis), however, have gone down, reflecting shifts in priorities in the government's antidrug strategy and in targeting by enforcement agencies. However, increased arrests and seizures have failed to make a serious dent in the drug trade: the value of drugs confiscated amounts to only a fraction of the estimated revenue and overall profits from drug dealing.

The National Criminal Intelligence Service (NCIS) reports that Britain faces its worst-ever threat from national and international organized crime. Drugs are linked to about 80 percent of all organized gangland crime in London, and about 60 percent of UK crime overall.

III. Country Actions Against Drugs

Policy Initiatives. The British Government has developed a ten-year strategy, first outlined in an April 1998 White Paper, that emphasizes the importance of all sectors of society working together to combat drugs. Drug problems do not occur in isolation, but are often linked to other social problems. Trends in drug abuse reflect wider UK Government reforms in the welfare state, education, employment, health, immigration, criminal justice, and the economy.

The strategy focuses on four elements: young people, to help them resist drug misuse and to permit them to reach their full potential in society; communities, to protect them from drug-related, antisocial and criminal behavior; treatment, to enable people with drug problems to recover and live healthy, crime-free lives; and drug availability, to limit access to narcotics on the streets. Key performance targets have now been set in each of these four elements.

The UK plays a leading role within the EU in combating drugs. Under the 1998 UK presidency, work was begun on a new EU drug strategy for 2000–2004; the Cardiff European Council (June 1998) endorsed its essential elements. In a speech to the Scottish Parliament in March 2000, Prime Minister Tony Blair spoke of his concern about the serious drug problems that EU member states share with applicant countries. He called for EU action against drugs to be given a much higher priority and made a number of proposals for member states to increase exchange of information, develop common key indicators for measuring their progress in tackling drug-related problems, make early progress in developing common sanctions for drug traffickers, and provide more practical help to the EU candidate countries in dealing with their drug problems.

These and other proposals were subsequently included within the EU Action Plan on Drugs 2000–2004, developed under the Portuguese Presidency and approved by the European Council at Feira in June 2000. The UK has acted swiftly to increase its help to EU applicant countries, particularly those on the heroin smuggling route through the Balkans. New assistance projects include an 18-month, cooperative antidrug program with Bulgaria.

At the G-8 Summit in Okinawa in July 2000, the UK proposed that there should be meetings at the expert level designed to step up global cooperation on drugs. The first ad hoc meeting of experts took place in Miyazaki, Japan in December 2000. Chaired jointly by Japan and the UK, it addressed the issues of synthetic drugs and chemical precursors. The second meeting, a seminar on the economics of drug markets, is to be held in London in March 2001.

The head of the Drugs and International Crime Department (DICD) at the Foreign and Commonwealth Office (FCO), Michael Ryder, is the UK Special Representative for international drug issues.

The UK works closely with the UNDCP and was its third-largest bilateral donor in 1999–2000. The British play a leading role in a number of international drug-control fora, including the Council of Europe's Pompidou group, the Dublin group, EUROPOL's drug unit and other EU forums, and the Financial Action Task Force (FATF). The UK chairs the South Asian region of the Dublin group and is an active counternarcotics advocate in the many mini-Dublin groups throughout the world. During the UK's 1999–2000 fiscal year, the UK disbursed approximately \$9.2 (BPS 6) million in aid and assistance focusing on the primary Southwest Asian and Balkan heroin routes and on the Latin American and Caribbean cocaine routes.

In July 2000, the UK Government's Spending Review targeted expenditures on the root causes of drug misuse that will rise significantly to approximately \$1.5 (1 BPS) billion by 2003–2004. By then, expenditure on treatment services will be approximately \$617.5 (401 BPS) million, a 70 percent increase over current figures. A range of drug-prevention activities, targeting young people, has already been taken. In particular, a program to develop new drug-prevention services for young people at risk of drug misuse will be an integral component of the first 121 of the government's new Health Action Zones (a broader health-policy initiative).

Legislation was passed in 2000 under the Criminal Justice and Court Services Act, which gives police the power to test criminal suspects for drug use when an offense may be linked to hard-drug misuse. Courts will be required to weigh a positive test-result when deciding bail, and testing will be extended to offenders serving community sentences and those on parole. These proposals will be pilot tested before wide scale introduction.

New Scotland Yard appointed in January 1999 its first antidrug coordinator for the London metropolitan police, who will work closely with the UKADC on coordinated drug programs for the capital. In Scotland, the government is cracking down on drugs in prisons. Inmates in open prisons caught using drugs are sent immediately to a high-security prison.

Accomplishments. The Drug Treatment and Testing Order is a community-based sentence, authorizing local courts to require offenders to undergo treatment and submit to mandatory and random drug testing. The Order began as a pilot program in September 1998 in three areas of England. It was rolled out nationally in England and Wales on October 1, 2000 after the pilot program demonstrated that the combination of treatment and random testing (to monitor progress) significantly reduced illegal drug use and criminal activity of offenders subject to the Order. Accelerated by a centrally funded, three-year endowment of approximately \$30.8 (BPS 20) million in 1999, arrest referral schemes for all local police-custody facilities in England and

Wales have achieved almost 90 percent coverage and are well ahead of the 2002 target for full coverage.

In January 1999, the Home Secretary announced a new initiative to reduce smuggling of drugs into prisons, and the government launched a prison service drug treatment program. Counseling, Assessment, Referral, Advice and Throughcare services (CARATs) were available in every prison in England and Wales by the end of 2000.

The Drugs Prevention Advisory Service, launched in April 1999, is now supporting local drug action teams (DATS) in delivering all four aims of the drug strategy. In May 1999, the UKADC published the UK's first comprehensive antidrug plan, which set tough, binding targets to be monitored by appropriate government departments. Key targets include reductions in the number of young people using heroin and cocaine; availability of heroin and cocaine among young people; and recidivism by drug-misusing offenders (all by 25 percent by 2005, and 50 percent by 2008). Another key target is to increase the number of people accessing treatment services (by 66 percent by 2005, and 100 percent by 2008).

According to the UKADC Annual Report for 1999/2000, published on November 7, 2000, most targets are being met on schedule. These include: establishing the Drugs Prevention Advisory Service (DPAS); implementing a drug-education policy in 93 percent of secondary schools and 75 percent of primary schools; and targeting prevention work for young people at risk through Health Action Zones.

Results of the National Treatment Outcome Research Study (NTORS) indicated that, two years after treatment, former users' drug consumption and related offenses are significantly reduced, supporting the strategy's aim of getting offenders into treatment. The survey of arrestees, using the "New-Adam" urine analysis, to monitor recent and long-term drug use and availability produced a second report, which showed that 69 percent of arrestees in five locations tested positively for at least one drug. In future years, reports covering up to 16 sites will provide more extensive data.

Law Enforcement Efforts. Law enforcement in the UK comprises a multi-agency effort. HM Customs and Excise, the National Crime Squad and regular police forces—supported by the National Criminal Intelligence Service and the security and intelligence agencies—work effectively to reduce the supply of drugs which enter and are distributed within the UK. In Scotland, the Scottish Drug Enforcement Agency (similar to the U.S. DEA) was established in 2000.

Corruption. Narcotics-related corruption of public officials is not considered a problem in the UK. When identified, corrupt officials are vigorously prosecuted.

Asset Forfeiture. UK forfeiture law applies to proceeds of all indictable offenses. The USG enjoys good cooperation from the UK. The UK honors U.S. freeze requests and was one of the first countries to enforce U.S. civil forfeiture judgments. In October 1999, Prime Minister Blair asked the Cabinet Office Performance and Innovation Unit (PIU) to assess the government's efforts at confiscating criminal proceeds. In June 2000, the PIU published its detailed report criticizing the effectiveness of the UK's efforts both in pursuing and collecting on confiscation orders and finding that existing powers are under used. The PIU has, among other things, proposed the creation of a National Confiscation Agency dedicated to recovering criminal assets, the adoption of civil forfeiture laws, and the promotion of greater international cooperation. More information can be found on the Internet at www.cabinet-office.gov.uk/innovation.

Agreements and Treaties. The U.S.-UK Mutual Legal Assistance Treaty (MLAT) took effect in December 1996. The UK is a party to the 1988 UN Drug Convention and complies fully with its provisions. It was the first country to ratify the Council of Europe's directive on money laundering, as well as the first EU member to ratify the agreement establishing EUROPOL. The U.S.-UK Extradition Treaty was updated most recently in 1985. The UK is party to the WCO International Convention on Mutual Administrative Assistance for Prevention, Investigation and Repression of Customs Offenses ("Nairobi Convention") Annex X on assistance in narcotics cases. The U.S.-UK Customs Mutual Assistance Agreement (CMAA) dates from 1989. In December 2000, the U.K. signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. Marijuana is cultivated in limited quantities for personal use, and occasionally sold commercially for illegal use. Most illicit amphetamines and ecstasy are imported from continental Europe, but some are manufactured in the UK in limited amounts. Authorities destroy crops and clandestine facilities as detected.

Drug Flow/Transit. Steady supplies of heroin and cocaine enter the UK. Heroin comes primarily (95 percent) from Southwest Asia, chiefly Afghanistan, but also Pakistan. Most of these drugs go through Iran, Turkey (where much of it is processed), and Eastern/Central Europe. The past year, however, has seen the rise of ethnic-Pakistani gangs in the UK to rival traditional ethnic-Turkish dominance of heroin distribution inside Great Britain—reputedly a \$1.5 (1 BPS) billion market. The UK has a much larger and more geographically dispersed ethnic-Pakistani population than an ethnic-Turkish community. Facilitated by direct airline connections between Pakistan and Manchester, ethnic-Pakistani drug rings are using heroin "mules" to profit from their strategy of "little-but-often." In contrast, Turkish and ethnic-Turkish-Cypriot drug runners have

tended to rely on larger shipments by truck. UK authorities, however, are stepping up efforts to counter cross-channeling smuggling (including tobacco and illegal immigrants, as well as drugs) with increasing success.

The UNDCP believes that drug traffickers increasingly use some of the Central Asian Republics of the former USSR as alternative smuggling routes to the UK. British authorities have not been able to verify this.

Hashish comes primarily from Morocco. Large cocaine shipments arrive directly from South America or via mainland continental Europe. The street price of cocaine is much higher than in the U.S., making the UK an attractive market. A synthetic drug supply originates out of Western and Central Europe; amphetamines, ecstasy, and LSD have been traced back to sources in the Netherlands, Poland, as well as the UK.

The UK helps fund a UN antidrug program as well as offering bilateral assistance for drug interdiction efforts in Iran, a key country on the heroin transit route. The UN project covers training and equipment primarily to strengthen counternarcotics work at the borders with Afghanistan and Pakistan. British assistance includes direct training (by HM Customs and Excise) and equipment to strengthen Iran's exit border with Turkey, which addresses gaps in UNDCP coverage.

Domestic Programs. The UK Government's demand reduction efforts focus on school and other community-based programs to educate young people and to prevent them from ever starting on drugs. New guidelines were enacted in November 1998 to help teachers and youth-workers warn young people about the dangers of drugs. As noted above, the Drug Prevention Advisory Service (DPAS) was established in 1999 to provide school and community teams to give specialist prevention advice to all locally based drug action teams. The Standing Conference on Drug Abuse has also published guidance for teachers on managing drug problems in school.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Since 1989, the U.S. and UK governments have conducted periodic consultations at the senior level to coordinate and harmonize policies, plans and programs on all counternarcotics fronts. Law enforcement cooperation between the two countries is excellent and growing. The first U.S.-UK drug summit, held in London in October 1999, revealed near unanimity on U.S.-UK drug issues, ranging from drugs in prisons to doping in sports, and demonstrated that domestic and foreign drug-policy issues have merged.

Moreover, as noted in the section on UK Caribbean Overseas Territories, practical bilateral cooperation—including joint naval operations, and deployment of USCG Law Enforcement Detachments on RN warships—is ongoing and productive in the Caribbean region. Joint efforts in the money-laundering arena have also been effective but could be enhanced. Cooperation from the Channel Islands and Isle of Man has improved significantly in the past few years.

The Road Ahead. The U.S. looks forward to continued close cooperation with the UK on all counternarcotics fronts.

Uzbekistan

I. Summary

Uzbekistan is not a major producer of narcotics or precursor chemicals, but is a major transit country for Afghan heroin, opium and hashish going to Russia and Western Europe. The Government of Uzbekistan has demonstrated commitment to stemming this flow, but resource constraints and lack of trained personnel and centralized coordination hamper drug control efforts. Drug abuse and addiction is increasing, although adequate official statistics are not available. Uzbekistan is a party to the 1988 UN Drug Convention and the government considers the fight against drugs to be a high priority.

II. Status of Country

The explosive growth in heroin and opium production in Afghanistan has increased the volume of narcotics crossing Uzbekistan, mostly from Tajikistan. Precursor chemicals have in the past traveled the same routes in reverse to laboratories in Afghanistan and Pakistan, but there were no seizures of precursor chemicals in 2000. Drug abuse and addiction are increasing, but little is being done in prevention and rehabilitation. A lack of resources prevents adequate attention to drug issues, although political will is high.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Uzbekistan is a strong participant in regional and bilateral counternarcotics initiatives, taking a leadership role when necessary. Under a new narcotics law mentioned below, the State Drug Control Commission has been given clear responsibility for coordination of narcotics issues in the country.

Accomplishments. A new law on narcotic substances and psychotropic agents took effect January 1, 2000. The law sets out a legal framework for the regulation of production, use and transport of narcotics and precursors. Licensing is now required for all legitimate activities, including medical use, of these substances. In addition, import and export activities require explicit permission of the State Commission on Drug Control.

The law also contains a section on combating illegal trafficking in narcotics, directing the State Commission on Drug Control to coordinate counternarcotics efforts and authorizing law enforcement agencies to take such measures as conducting searches, confiscating contraband and compelling blood testing for suspected criminal drug use. The law's final section guarantees medical treatment for addicts. Although the law's scope is comprehensive, it is not detailed. Officials are currently drafting the regulations necessary to implement the law. In September, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan signed an agreement on regional cooperation in fighting transnational crime, including narcotics. Uzbekistan agreed to establish an information and analysis clearinghouse for the partners, which is supported by the UN Office of Drug Control and Crime Prevention (UNODCCP).

Law Enforcement Efforts. According to the State Commission on Drug Control, law enforcement agencies seized 1.5 metric tons of opium and 450 kilograms of heroin in the first nine months of 2000. The Customs Service in particular has improved its drug interdiction record over the last year. The Ministry of Internal Affairs (MVD), the National Security Services (NSS), and the State Customs Committee have separate counternarcotics jurisdiction, including domestic crime, international organized crime and foreign intelligence, and border control, respectively. Despite this apparently clear delineation of responsibilities, the lack of operational coordination diminishes the effectiveness of counternarcotics efforts. In addition, all entities face a severe lack of money for equipment and training and must rely on international assistance to improve their capabilities. The State Commission on Drug Control was designed to minimize internecine problems and duplication of efforts, but has had limited success.

Corruption. While there were no major narcotics-related corruption cases in 2000, corruption and bribery among law enforcement officials are common and sometimes related to narcotics.

Agreements and Treaties. Uzbekistan is a party to the 1988 UN Drug Convention. Uzbekistan has signed various bilateral and multilateral agreements over the years that include ongoing narcotics cooperation with its Central Asian neighbors and other countries in the region and with various European governments and the USG. Uzbekistan is party to the Commonwealth of Independent States Multilateral Extradition and Mutual Legal Assistance Agreements. As an active participant in the UN Six Plus Two counternarcotics initiative, Uzbekistan signed the Regional Action Plan, which it helped to draft. Uzbekistan also signed the UN Convention Against Transnational Organized Crime in December 2000.

Cultivation/Production. Cannabis and opium poppies are cultivated in the mountainous areas of Uzbekistan, particularly in the regions of Samarkand and Syrhandarya. Uzbek officials report that successful eradication efforts have significantly decreased the level of drug cultivation.

Drug Flow/Transit. The quantity of opium and heroin drugs crossing Uzbek territory continues to grow. Since the only Afghan-Uzbek border crossing is closed, most narcotics transiting Uzbekistan come via Tajikistan through various crossing points. Transport police and customs officials regularly also apprehend drug smugglers on the Dushanbe-Moscow train. Chemical precursors from Russia and Ukraine bound for laboratories in Southwest Asia have transited Uzbekistan in the recent past, although no seizures were made in 2000.

Domestic Programs/Demand Reduction. The government youth agency, KAMOLOT, has a public relations campaign against drug use. Registered addicts are subject to compulsory treatment. Most observers agree that there are around 200,000 drug abusers among Uzbekistan's 24 million inhabitants. The problem is growing.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The USG continued to provide assistance to Uzbekistan's counternarcotics efforts in 2000 either bilaterally or through UNODCCP projects. This included support of the UNODCCP project for the Uzbek Institute of Genetics research into an opium-destroying pathogen and the State Drug Control Commission's Regional Narcotics Information Center. The USG provided various training courses for law enforcement entities and judicial and prosecutorial officials. The USG also provided nine jeeps with spare parts packages for counternarcotics use by the State Customs Committee.

The Road Ahead. The USG will continue to support Uzbekistan's counternarcotics efforts by providing training and equipment. It will also support UNODCCP efforts to increase project support from major donors.

[End.]

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U.S. DEPARTMENT OF STATE

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Africa and the Middle East

Angola

I. Summary

Angola does not have a significant drug production, trafficking, or use problem. Cannabis is cultivated in limited amounts and consumed locally; it is not exported to the U.S. Transit for illegal drugs through Angola appears to be increasing, particularly cocaine from Brazil to South Africa. Seizures of cocaine rose from 16 kilograms in 1999 to 124.5 kilograms this year. Angola is the only Southern African Development Community (SADC) member that has not signed the SADC counternarcotics protocol.

II. Status of Country

Angola is not a major center of drug production, trafficking, money laundering, or production of precursor chemicals, and is not likely to become one. Angola lacks the industrial base to produce chemicals, and remains underdeveloped and unstable, politically, discouraging money laundering for lack of investment potential. Despite resource challenges, the Angolan National Police increased dramatically the amount of cocaine seized in 2000. The police attribute this to the greater emphasis placed on narcotics trafficking and greater awareness of Angola as a transshipment point for cocaine. Nigerian traffickers control the smuggling of cocaine from Brazil through Angola to South Africa.

III. Country Actions Against Drugs in 2000

Angola is not a signatory to the SADC Counternarcotics Protocol. Money laundering is not an issue in Angola, given the country's poorly developed financial and banking sector. There are no laws dedicated exclusively to money laundering, although money laundering is defined as a crime in the counternarcotics laws. There have been no cases prosecuted involving public corruption connected to narcotics trafficking. In December 2000, Angola signed the UN Convention Against Transnational Organized Crime.

The authorities made 710 drug-related arrests during the first nine months of 2000. In the first nine months of 2000, the authorities opened 619 new cases relating to drugs.

Although Angola has legislation mandating treatment for those convicted of narcotics consumption, there are no public treatment centers. Angola does cooperate with South Africa in fighting the flow of cocaine from Angola to South Africa, and South Africa has offered training and equipment to the Angolan police. Angola also cooperates on a regional basis via the SADC and recently signed a law enforcement cooperation agreement with Brazil, the shipment point in South America for much of the cocaine transiting Angola. The Angolan National Police have expressed strong interest in participating in U.S. training opportunities.

IV. U.S. Policy Initiatives and Programs

The Angolan National Police will be receiving U.S. counternarcotics training in FY 2001 for the first time. This program stems, in part, from agreements reached during Bilateral Consultative Commission meetings with the U.S., in which Angola expressed strong interest in receiving law enforcement training. Over the longer term, Angola should benefit, as should the whole southern African region, from the U.S.-funded International Law Enforcement Training Academy (ILEA) under construction in Gabarone, Botswana.

Benin

I. Summary

The Government of Benin (GOB) continues to make progress in the fight against illegal narcotics trafficking and has taken steps to implement a national drug strategy. Benin is not a major narcotics producing country. Benin remains a transit route for illegal narcotics transiting West Africa. Illegal drug trafficking and GOB drug seizures have increased throughout the year. The GOB has developed a national antidrug policy and is struggling to implement its national action plan and coordinate drug enforcement operations through a newly established central office (OCERTID). Inadequate resources, interagency rivalry and reports of mishandling of evidence or possible corruption have impeded law enforcement efforts.

II. Status of Country

Benin is not, and is not likely to become, a significant producer of drugs or a source of precursor chemicals. Benin produces a limited amount of cannabis for local consumption. Benin remains a West African transit point for regional traffickers rather than a production site.

Benin's porous borders permit African drug traffickers, primarily Nigerian nationals, freely to transit the country and/or access its ports. This ease of access has made Benin a transshipment point in the regional and sub-regional narcotics trade of heroine, cocaine, and cannabis.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Ministry of Interior, with EU financial support, completed a comprehensive national antidrug policy and a detailed national action plan this year. In December 2000, Benin's leading antinarcotics enforcement officials and government leaders discussed priorities at a roundtable discussion on ways to finance, support, and implement GOB antidrug policy.

GOB has not established the infrastructure or legal apparatus to enforce the comprehensive antinarcotics law enacted in 1997. The law is based on the UNDCP model designed to bring countries into compliance with the 1988 UN Drug Convention. It criminalizes money laundering and provides for stronger sentences, asset forfeiture, and inter-agency cooperation.

Prompted by the steady increase of drug abuse and drug traffic along the West African coast, the GOB decided to take action in 1999. The Ministry of Justice, Legislation and Human Rights, together with the Ministry of Health, suggested a national policy to fight drug abuse and illegal narcotics trafficking. The government called for a national master plan to report on the drug abuse situation and define strategies to combat this problem. The GOB began drafting a plan in 1999 and the national policy was published in July 2000. The GOB is now struggling to implement the good intentions set out in their policy, but as in any other areas they must confront the problem of limited resources.

Accomplishments. The GOB newly developed national action plan identifies ten antidrug strategies to be implemented over the next six years. It has three major objectives:

- Improve the strategies to combat the use of illegal drugs;
- Reinforce current programs to fight against illegal drug production and trafficking; and
- Develop strategies to prevent drug abuse and provide for the treatment and rehabilitation of ex-drug abusers.

The national antidrug policy identifies six priorities and four complementary programs. The six priorities are as follows:

- Coordinate the national effort against illegal narcotics;
- Provide additional resources to the national drug lab;
- Provide additional resources to law enforcement agencies, increasing their drug intervention capabilities;
- Reinforce smuggling controls at Cotonou's major shipping port;
- Develop programs for the prevention of drug use and treatment of drug abusers;

- Create a national health center for drug abusers.

Complementary projects focus on illegal drug production, prescription drug abusers/traffickers, prevention programs for single families, and the creation of a canine brigade.

Law Enforcement Efforts. The law enforcement agency with primary responsibility for combating narcotics smuggling and drug abuse is the newly created central office against illegal drug trafficking (OCERTID). The OCERTID is subordinate to the director general of the national police, and works with customs, the gendarmes and national police drug units.

Law enforcement agencies have had sporadic success in combating the various elements of the drug trade. The biggest problem facing the government is a lack of equipment and training. The GOB has not been able to supply much in the way of increased resources to law enforcement agencies that are responsible for drug enforcement. This lack of resources undermines such organizational changes as the new central drug policy coordinating body (OCERTID). Adequate resources are still not available or devoted to drug interdiction efforts. Agencies continue to focus their efforts on arresting and prosecuting small-scale couriers and users. Despite the establishment of a central drug office, efforts have been hampered by inter-agency rivalry and a lack of cooperation among law enforcement agencies.

There have also been allegations of improper disposition or destruction of drug evidence. A recent example involved the seizure of 21 kilograms of cocaine at the Cotonou airport in November. This success, the largest seizure of the year, was overshadowed by press reports of disappearing drug evidence and problems in OCERTID. Seizures generally increased in 2000 from last year's figures. Specifically, in 2000, GOB officials seized 368.247 kilograms of cannabis, an increase from seizures of 24.977 kilograms of cannabis in 1999. Authorities seized 21.494 kilograms of cocaine in 2000, an increase from seizures of 18.26 kilograms of cocaine in 1999. Seizures of heroin in 2000 fell to 7.572 kilograms in 2000, down from 16 kilograms in 1999

Corruption. Press reports have alleged corruption in the government and hinted at problems with the disposition of drug evidence, but the exact extent of corruption and its impact on law enforcement and antidrug operations is unknown. This is a difficult area to discern and resistance to oversight reform still persists within the government.

Agreements and Treaties. Benin is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. In December 2000, Benin signed the UN Convention Against Transnational Organized Crime and the protocol on trafficking in persons. A drug enforcement cooperation agreement between the French and Beninese governments is still in force, and continues to aid Benin's antidrug efforts. There is no bilateral extradition or mutual legal assistance treaty between the U.S. and Benin.

Cultivation and Production. Cannabis is the only narcotic cultivated or produced in any sizable quantity in Benin. No figures on the exact extent of production are available at this time. The cannabis grown in Benin is used for domestic consumption.

Drug Flow/Transit. Benin is an important transit/staging point for Southeast Asian heroin being smuggled to Nigeria for onward transport to Europe and the United States, and for South American cocaine being transported to Nigeria en route to Europe. There is no evidence that the heroin that enters the U.S. from Benin is in an amount sufficient to have a significant effect on the U.S. Marijuana from Nigeria transits Benin on its way to other African countries. Nigerian traffickers control drug trafficking activities in Nigeria. In addition to transiting the country overland, drugs depart the country via Cotonou's international airport and seaport.

IV. U.S. Policy Initiatives and Programs

U.S. Goals and Objectives. The primary objective of the U.S. Government is to combat the transit of drugs to the U.S. or Europe. The goal is to build on successful antinarcotics cooperation efforts, focusing on prevention, interdiction, prosecution, and treatment.

Bilateral Cooperation. The U.S. and Benin signed a Letter of Agreement in 1995 under which the U.S. agreed to provide communications equipment and drug testing kits to GOB narcotics units. This assistance was provided in 1998. The authorities in Benin point to many areas which would benefit from additional assistance. Such help is under consideration, but Benin must compete with other problem narcotics countries in the region.

The Road Ahead. Benin is beginning to seriously address the drug problem in the region by

implementing coordinated antidrug measures. This is obviously the first step down a long road. The U.S. Government must continue to engage Benin on the complex issues of counternarcotics enforcement, asset forfeiture, and money laundering while providing assistance whenever possible. Border and port control measures are two obvious priority areas, as is increased training of enforcement personnel. The GOB must strengthen and effectively use the asset forfeiture and narcotics-related money laundering laws that are currently in place.

Botswana

I. Summary

Botswana is not a major producer of drugs and is not a significant drug transit country. Isolated pockets of marijuana cultivation occur, but eradication efforts keep production levels low. In 2000, drug control officials seized sizable amounts of cannabis, as well as small amounts of cocaine, heroin, and one seizure of phenobarbitane. Exact seizure and crop destruction figures are not available. Based on a slight decrease in the number of drug-related arrests in Botswana, drug control officials see less reason to fear an increase in drug use in Botswana. Nevertheless, cannabis remains a popular drug here, due to its low price. Botswana is a transit point for Mandrax being smuggled from India to South Africa. Individuals caught with drugs in Botswana can expect fines and prison sentences.

II. Status of Country

Botswana is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. In 1998, Botswana created a National Drug Control Coordination Council, chaired by the Office of the President. In addition, the Government of Botswana has strict legislation against the production, trafficking, and money laundering associated with the drug trade. There was concern that Botswana's status as an offshore financial center might lead to money laundering, so the banking system and regulations surrounding Botswana's International Financial Services Center (IFSC) have been carefully drafted and closely monitored. Botswana courts rigorously sentence drug related offenses, with mandatory sentences of one to five years' imprisonment for possession of fewer than 60 grams of cannabis, and five to ten years for more than 60 grams. In 2000, the authorities made 237 arrests relating to cannabis use. The Botswana National Police Service looks forward to training opportunities provided by donors, such as its 1999 participation in a regional drug enforcement seminar in South Africa sponsored by the U.S. DEA.

III. Country Actions Against Drugs

There has been a reduction in the number of seizures of drugs transiting and entering the country. Police seized 718 kilograms of cannabis during 2000, mostly from Zambia and Mozambique. In 2000, police seized three shipments of cocaine; the first one originated in Brazil and transited Frankfurt and South Africa en route to Botswana. The second and third cocaine shipments were seized from Nigerian dealers crossing the border into Botswana. Police seized one kilogram and 696 grams in the three shipments. The Botswana Police report good cooperation on narcotics control with their regional partners, especially South Africa and Zimbabwe. The UNDCP has provided drug detection dogs to Botswana for use in drug searches. There are no indications of senior government officials being involved in drug related offenses.

IV. Policy Initiatives and Programs

The U.S. Government did not conduct any counternarcotics policy initiatives in Botswana during the reporting year. Police officials anticipate more cooperation with USG officials upon the opening of the International Law Enforcement Academy (ILEA) in Gaborone, anticipated in late 2001.

Cameroon

I. Summary

Cameroon remains a transit point for drug trafficking. Nigerian nationals, residing in Cameroon, traffic heroin to Europe and to some extent also to the United States. There is no available evidence that the heroin that enters the U.S. from Cameroon has a significant effect on the U.S. Marijuana from Nigeria is smuggled through Cameroon to Europe. Most types of drugs are available in Cameroon, but cannabis is the only drug produced locally in significant quantities. Cannabis is also the most widely consumed drug. There have been only minor drug seizures in 2000. Cameroon is a party to the 1988 UN Drug Convention. Cameroon is also a party to the 1961 UN Single Convention on Narcotic Drugs

and its 1972 Protocol, as well as to the 1971 UN Convention on Psychotropic Substances. Cameroon signed the UN Convention Against Transnational Crime and its protocols in December 2000.

II. Status of Country

Cameroon produces few illegal drugs and is not known to be heavily involved in trafficking. However, the trafficking situation in Cameroon is difficult to assess because interdiction is sporadic and few records are kept. According to Cameroonian police, interdictions in 2000 were down from the low levels reported in 1999. The police attributed the drop to improved smuggling tactics in the face of customs and police services that are poorly equipped, poorly trained and often indifferent.

III. Country Actions Against Drugs in 2000

The Government of Cameroon (GRC) initiated no new counternarcotics initiatives in 2000. The National Committee for the Fight against Drugs (CNLD), created in 1992 under the auspices of the Ministry of Health, remained inactive. There were no specific legal or law enforcement measures taken to prevent and punish narcotics-related public corruption. Only limited resources and training are available to customs and police officials. Counternarcotics law enforcement activities in 2000 were limited to a few minor drug seizures.

Marijuana is widely available in Cameroon. Cannabis is grown nationwide but is concentrated in the East, Center, Littoral and Northwest provinces. According to the local press, it is the drug most widely used among Cameroonians.

The government of Cameroon does not maintain accurate statistics on drug production or seizures. However, the government did report the following seizures for the period January through November 2000: 2,467.8 kilograms of cannabis, as well as 211 packets not weighed; 2 kilograms of heroin; 53 packets (not weighed) of cocaine; and 125 kilograms of psychotropic drugs. The GRC also reported that 17 hectares and nine other cannabis farms (surface area not reported) were destroyed, and 287 persons were detained for possession, consumption and/or trafficking.

IV. U.S. Policy Initiatives and Programs

DEA instructors conducted a two week West African Regional Drug Enforcement Seminar in Accra, Ghana, paid for by State Department assistance funds. Six Cameroonian law enforcement officers attended this conference in April 2000. Training was provided in traditional and specialized investigative techniques as related to narcotics investigations. Given the low starting point of GRC capabilities, a small investment in the training of police and customs officials could markedly increase their ability to combat drug trafficking.

Cote D'ivoire

I. Summary

With two of the largest ports in Africa and an extensive and developed infrastructure, Cote d'Ivoire has been a transit point for narcotics from Asia and Latin America to Europe and, to a lesser extent, North America for the past several years. Although domestic narcotic drug production is negligible, and limited to cannabis, consumption of hard drugs is increasing. Heroin and cocaine use are rising in Abidjan. As a consequence of the coup, the United States suspended law enforcement training. Cote d'Ivoire is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances.

II. Status of Country

Abidjan is a major West African financial center and a regional hub for international airline travel and ocean freight. Following USG civil aviation visits under the "Safe Skies" program, security at Abidjan's International Airport has been tightened somewhat. Nevertheless, drugs and money continue to pass through Ivoirian ports and across porous borders, along with other smuggled goods, including light arms and stolen vehicles. As the middle class grows, there is also a slowly growing domestic trade and use of heroin and cocaine. Police seizures of narcotics are usually small.

III. Country Actions Against Drugs in 2000

Policy Initiatives. During the first six months of 2000, the Ivoirian Government implemented a number of recommendations made by foreign countries interested in improved narcotics law

enforcement and incorporated them into a National Antidrug Plan adopted in May 2000. Among other things, the plan identifies drug-abuser rehabilitation and effective enforcement as key priorities for the next year and accordingly defines areas of responsibility between government agencies, non-governmental organizations, and international donors.

Accomplishments. Following the December 1999 coup d'etat, the U.S. Government suspended most bilateral assistance under section 508 of the Foreign Assistance Act. Cote d'Ivoire continues, however, to cooperate with the U.S. Government and the European Union's (EU) African Antidrug Program to identify training needs for drug abuse prevention, law enforcement, and addict treatment and rehabilitation. A regional narcotics training center in Grand Bassam still offers classes underwritten by the EU.

Law Enforcement Efforts. Foreign antidrug assistance to the Inter-Ministerial Committee (CILAD) and the Regional Training Center for the Battle Against Drugs have contributed significantly to improved law enforcement efforts. During the first half of 2000, Ivoirian police reported making 230 seizures of cocaine, heroin, marijuana, and other illegal narcotics. These included cocaine seizures totaling 3.442 kilograms, heroin seizures totaling 1.234 kilograms with the arrest of 20 people, and over 200 marijuana seizures totaling 118.7 kilograms with the arrest of 287 people. The majority of seizures took place at the Port of Abidjan, Abidjan's Felix Houphouet-Boigny International Airport, and post offices. In addition, authorities apprehended eight children being used as "mules" to transport illicit drugs.

Corruption. Corruption continues to hamper efforts to enforce counternarcotics laws effectively. In addition narcotics law enforcement took a low priority during the ten-month-long military regime. Despite highly publicized anticorruption initiatives during the first half of 2000, corruption, ironically, appeared to worsen. While corruption goes largely unpunished, Cote d'Ivoire does not encourage or facilitate illicit narcotics production or distribution of drugs or the laundering of proceeds from illegal drug transactions as a matter of state policy. With the primary agencies for narcotics enforcement seeing several leadership changes in ten months, implementation of policy suffered.

Agreements and Treaties. The Government of Cote d'Ivoire is a party to the 1988 UN Drug Convention, 1961 UN Single Convention and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. The Ivoirian Government is also a party to several regional counternarcotics cooperation agreements negotiated among members of the West African States' Regional Economic Organization (ECOWAS). Cote d'Ivoire signed the UN Convention Against Transnational Organized Crime in December 2000.

Cultivation/Production. Cannabis is grown in limited quantities in remoter parts of southern Cote d'Ivoire. Most is consumed domestically as marijuana. Crops are frequently concealed among cocoa plantings and then transported overland to Abidjan and other distribution centers. The National Police continue to destroy any cannabis they may find, but they do not keep itemized records of crop seized and quantities destroyed, and there are no good estimates of production.

Drug Flow/Transit. Abidjan is a major transit point for Southeast and Southwest Asian heroin en route to Europe and to a lesser degree the U.S., and South American cocaine destined for Europe. Cote d'Ivoire's major seaports in Abidjan and San Pedro reportedly serve as important transit points too. Drugs and other goods cross borders by boat and vehicle, unnoticed or abetted by bribed border officials. There are no reliable statistics on the movement of narcotics.

Domestic Programs (Demand Reduction). Public drug-abuse awareness programs still remain in the planning stages but are making some progress. Following the installation of the new civilian government, several antidrug groups, in collaboration with the Ministries of Interior and of Youth, have met to discuss rejuvenating antidrug efforts. Several government agencies participated in workshops sponsored by the EU's African Antidrug Program to identify core drug education priorities. The resulting broad training effort focuses on drug awareness and demand reduction, as well as on law enforcement, treatment, and rehabilitation of former addicts.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. policy goals remain focused on reducing use of Cote d'Ivoire as a transit point for narcotics trafficking.

Bilateral Cooperation. With the suspension of aid following the December 1999 coup, U.S. Government assistance at most levels has been frozen. In late 1999, the U.S. Government did purchase a computer and a fax machine for the CILAD, but has not presented them, pending a

resolution of Côte d'Ivoire's political crisis and a resumption of U.S. aid.

The Road Ahead. As in previous years, the principle U.S. counternarcotics interest will be drugs entering from Latin America and transiting towards Europe, and possibly the U.S. Training for police, Gendarmerie, customs, and judicial authorities remains the key prerequisite for broader U.S.-Ivoirian engagement in counternarcotics efforts. With a democratically elected government now in power, a resumption of assistance is under review.

Egypt

I. Summary

The Republic of Egypt is not a major producer, supplier, or consumer of narcotics or precursor chemicals, and it does not have a serious money laundering problem. Heroin and cannabis are transported through Egypt, though the level of traffic has decreased in 2000. The Antinarcotics General Administration (ANGA) is the main drug-fighting organization in Egypt. Egypt is a party to the 1988 UN Drug Convention.

II. Status of Country

Opium and cannabis are grown in Egypt, but Egypt is not a significant producer or consumer of narcotics or precursor chemicals. It is also not a money laundering center. Narcotics destined for Western Europe and the United States continue to be shipped through Egypt, though this phenomenon has diminished in 2000 and there is no evidence that significant amounts of narcotics are reaching the U.S. in this manner. The transshipment of Southwest Asian heroin is made easier by Egypt's long uninhabited borders and by the high level of shipping which passes through the Suez Canal. Narcotics also pass through Cairo International Airport. The substances most commonly abused in Egypt are cannabis and legitimate pharmaceuticals.

ANGA, which has jurisdiction for investigating all criminal matters relating to narcotics, maintains offices in all major cities and airports. By providing equipment and training, the U.S. DEA's country office assists ANGA in certain smuggling interdiction operations in the Canal Zone and at Cairo Airport, and in crop eradication operations in the Sinai Peninsula and Upper Egypt.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Government of Egypt (GOE) continues to develop the comprehensive drug control strategy which it formally adopted in 1994. ANGA, the Egyptian Coast Guard, Customs Service, Ministry of Interior, and selected military units cooperate in task forces to interdict narcotics shipments. The ministries of health and education and several religious organizations run drug awareness programs designed to curb demand. All these initiatives are hindered by a lack of money and equipment. Parliament continues to review a draft law which would criminalize money laundering.

Accomplishments. In 2000, parliament passed a law which will allow ANGA to keep for its operational use a portion of the assets seized from narcotics traffickers.

Law Enforcement Efforts. Egyptian law enforcement efforts are largely directed toward combating terrorism; nonetheless, ANGA runs an effective program of arresting low level drug traffickers and users, intercepting narcotics shipments, and eradicating illegal crops. Cultivation of illicit narcotics continues to drop each year. Large scale seizures and arrests are rare, since drug abuse is not a serious problem in Egypt. ANGA runs a drug awareness campaign and a crop substitution program in the Sinai that has not proven successful. ANGA's eradication unit runs monthly operations against cannabis and opium crops in the Sinai. A 1971 law penalizes those who make money through illegal activity. Using this law, prosecutors may impound for up to five years the money and property belonging to a convicted criminal and his family. The Court of Ethics, Egypt's highest criminal court, is then responsible for determining whether the seized assets were obtained as a result of the illegal activity, and therefore forfeit. Up until relatively recently seized assets went directly to the Egyptian Treasury, however a law passed in 2000 provides that a portion of the assets seized in narcotics cases now goes to ANGA.

Corruption. There does not appear to be serious narcotics related corruption in Egypt. However, low level local police officials have been identified and arrested on corruption charges. The GOE has strict laws and harsh penalties for government officials convicted of involvement in narcotics trafficking or related areas.

Agreements and Treaties. Egypt and the U.S. have had an extradition treaty in place since the late 1800s. Egypt is a party to the 1988 UN Drug Convention, the 1971 UN Convention, and the 1961 UN Single Convention and its 1972 Protocol. The Senate granted its advice and consent to ratification of the U.S.-Egypt Mutual Legal Assistance Treaty on October 18, 2000, but the Treaty has not yet entered into force. Egypt signed the UN Convention on Transnational Organized Crime in December 2000.

Cultivation and Production. Cannabis is grown year round in the northern and southern Sinai and in Upper Egypt, and opium poppy is grown in southern Sinai for part of the year. The UNDCP reports that opium production is declining in Egypt, but cannabis production is increasing. The rough terrain dictates that plots be of irregular shape, so ANGA estimates crop sizes by visual inspection. After identifying illegal plots through aerial observation and confidential informants, ANGA conducts daylight eradication operations, cutting and burning the plants. ANGA has not yet implemented its planned herbicide eradication program. No heroin processing plants have been discovered in Egypt for over ten years. There is no evidence that either Egyptian-grown opiates or marijuana reach the U.S. in quantities sufficient to have a significant impact on the U.S.

Drug Flow/Transit. ANGA judges that drug shipments through Egypt have decreased in recent years, and attributes this to improved border surveillance and interdiction, as well as to the creation of new smuggling routes from South Asia through the Commonwealth of Independent States. However, ANGA does intercept illicit shipments of hashish and heroin en route to Western Europe and North America from Pakistan and Afghanistan.

Domestic Programs (Demand Reduction). The ministries of health and interior sponsor a national narcotics campaign and several public awareness campaigns. These programs are aimed at school-aged children and rely on the mass media. DEA's office in Cairo also assists the GOE with a national drug awareness campaign. Most treatment for the small group of drug abusers is carried out by private doctors.

IV. U.S. Policy Initiatives and Programs

U.S. counternarcotics policy in Egypt remains to engage in a bilateral program to further reduce transit of narcotics and to decrease opium and cannabis cultivation. This policy has the following specific objectives: increase training; target eradication efforts; improve interdiction methodology; and improve intelligence collection and analysis.

In FY 2001, the U.S. Government plans to provide the GOE with training in police science, anticorruption measures, and border control operations. The DEA country office will continue to work closely with ANGA to improve interdiction and eradication techniques, and to develop additional sources of information on production and trafficking.

Ethiopia

I. Summary

Ethiopia does not play a major role in money laundering, precursor chemical production associated with the drug trade, or in the production of narcotic drugs. Ethiopia is strategically located along a major narcotics transit route between Southwest Asian heroin production and European markets and West African trafficking networks. Cannabis is grown in Ethiopia, but most is consumed in rural areas of Ethiopia itself. More heroin is transiting Ethiopia for markets in West Africa, Europe, and the U.S. Nigerian traffickers are active in Ethiopia. Ethiopia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. The Ethiopian Counternarcotics Unit (ECNU) maintains an interdiction team at Bole International Airport, which is where its two drug sniffer dogs primarily are employed. The interdiction unit routinely screens passengers, luggage, and cargo on flights arriving from "high risk" origins, i.e., Bangkok, New Delhi, Mumbai, and Islamabad. The sniffer dogs are employed examining cargo, and checking luggage. These inspections are conducted routinely with a degree of randomness.

II. Status of Country

Ethiopia is not now, and not likely to become, significant in the production of narcotic drugs or precursor chemicals or in money laundering. Cannabis is being produced for export primarily to neighboring countries.

III. Country Action Against Drugs in 2000

Ethiopia is a party to the 1988 UN Drug Convention, and continues to strive to fulfill its goals and objectives. The use of heroin and other hard drugs remains quite low, due primarily to the high street price for poor Ethiopians and limited availability. To the extent these hard drugs are available, it is in large part due to the "spillover" effect from the transiting of drug couriers through Bole International Airport. Bole is a major air hub for flight connections between Southeast and Southwest Asia and Africa, and much of the heroin entering and/or transiting Ethiopia comes from Asia. Many of the flights require up to two-day layovers in Addis, permitting the introduction of these drugs into the local populace. In December 2000, Ethiopia signed the UN Convention Against Transnational Organized Crime.

Law Enforcement Efforts. The ECNU has been severely hampered due to a lack of leadership at the federal level. At the unit level, the ECNU also suffers from managerial/leadership problems. The ECNU commander lacks a commitment to attacking the international drug problem, and the agency remains focused on domestic issues. The interdiction team at Bole has been largely ineffective. While the number of officers assigned has increased, only two have had any real training and they are the only two who can speak a language other than Amharic. The interdiction unit has improved its ability to identify male Nigerian/Tanzanian drug "mules" who traditionally swallow drugs to smuggle them. Arrests at Bole more than tripled from last year's figures.

Policy Initiatives. The Ethiopian Ministry of Justice is in the process of updating the penal code. Currently the maximum sentence for trafficking is two to three years, which does not serve as an effective deterrent to using Ethiopia as a transit country. Additionally, Ethiopia lacks a central coordination body to coordinate systematically antidrug activities of the Ministries of Education, Health, and Justice. Senior Ethiopian government officials are attempting to refocus attention on the drug problem and to re-commit Ethiopia to countering narcotraffickers.

(Money laundering is not considered a problem.) Asset seizure, extradition, and mutual legal assistance, as in past years, were of little significance. The United States does not have an extradition treaty with Ethiopia.

IV. U.S. Policy Initiatives

There were no major policy initiatives undertaken in 2000. The focus has remained on the law enforcement side, specifically the ECNU. Ethiopia has limited resources and must rely on assistance from external sources. Overall, the ECNU needs more training, better facilities, and improved access to resources. The persistent weakness of the ECNU's current leadership, however, makes any immediate improvement quite difficult.

Ghana

I. Summary

Ghana takes an active stance against drug abuse and illicit trafficking of narcotic drugs and psychotropic substances. Ghana has active enforcement, treatment and rehabilitation programs. Ghana is a party to the 1988 UN Drug Convention.

II. Status of Country

Ghana is a transit point for Southeast and Southwest Asian heroin being smuggled to Europe and the U.S., and South American cocaine being smuggled to Europe. Increasing amounts of heroin are destined for the U.S. Some of the cocaine might also be smuggled to South Africa. Trafficking occurs at Accra's Kotoka International Airport as well as at the ports of Tema and Sekondi. Overland trafficking occurs at the land borders with Togo (Aflao) and Cote d'Ivoire (Elubo). As Nigeria improves its interdiction efforts, Nigerian traffickers are strengthening their presence in Ghana. Ghana-U.S. law enforcement coordination continues to grow in strength and effectiveness. The trafficking problem has fueled an increase in domestic consumption. Marijuana use is a problem in Ghana, although the extent of local cultivation is uncertain because of its clandestine nature. Through public education programs, citizens assist in combating drug trafficking and abuse. Money laundering occurs, but this is not a major problem. Precursor chemicals are also not a major problem.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Narcotics Control Board (NCB) coordinates the efforts of, and cooperates

with, all organizations involved in counternarcotics activities. The NCB's 2000 activities encompassed numerous areas of counternarcotics, including enforcement and control, education, prevention, treatment, rehabilitation, and social re-integration. In 1999 the NCB completed its counternarcotics master plan, the "National Plan of Action 1999-2003." The European Commission, through its African Antidrug Program (AADP) for West Africa, provided financial and technical support. This plan is still waiting for government approval.

In 1999, reacting to difficulties with the current narcotics law, the NCB submitted proposals to the Ghanaian government to amend the 1990 narcotics law in order to increase penalties for drug offenses; raise the fine for narcotics-related violations due to depreciation of the Cedi; allow the NCB to manage and administer any property forfeited under the narcotics laws; and allow prosecution for possession or control of anyone who employs a courier "mule," agent or servant. These proposals are still pending government approval.

Accomplishments. The NCB and other law enforcement agencies enjoyed greater and more successful cooperation with U.S. law enforcement agencies. Most notably, this resulted in the arrests of a number of Ghanaian drug traffickers, two of whom have been convicted. The NCB increased its national drug education efforts to include district assemblies, which resulted in increased law enforcement/civilian cooperation in combating drug cultivators and traffickers.

Ghana attended the 43rd session of the Commission on Narcotics Drugs in Vienna in March 2000. Ghana also attended the Fourth Inter-Ministerial Drug Control Meeting in Dakar, Senegal, in October 2000.

Law Enforcement Efforts. The police's Criminal Investigative Division's (CID) narcotics unit based in Accra undertakes interdiction exercises, surveillance, raids, arrests, seizures and prosecutions alone or in joint operations with officials of the NCB. NCB narcotics squads are located at known drug-prone areas—Kumasi (Ashanti Region), Koforidua (Eastern Region), Ho (Volta Region), and Tema (Greater Accra Region)—which conduct similar operations. The Customs Excise and Preventative Service (CEPS) Headquarters also has a counternarcotics unit, as well as antidrug squads at some of Ghana's borders (at Aflao, on the border with Togo, and at Elubo, on the border with Cote d'Ivoire), and at Kotoka International Airport in Accra.

Figures show an increase in cocaine-related arrests but a decrease in cocaine seizures. The decrease in seizures may be due to the January and February 2000 arrests of major Nigerian drug traffickers who were primary suppliers of cocaine to Ghana. A gram of cocaine, depending on its purity, sells at Cedis 100,000-120,000 (approx. \$15-\$18). Heavily diluted cocaine sells at Cedis 60,000-80,000 per gram (approx. \$9-\$12).

Figures also show an increase in heroin-related arrests, but a decrease in heroin seizures. This may be due to the deterrent effect of increased law enforcement vigilance at the borders. A gram of heroin, depending on its purity, sells at Cedis 80,000-100,000 (approx. \$12-\$15). Heavily diluted heroin sells at Cedis 50,000-60,000 per gram (approx. \$7-\$9).

There was a large increase in marijuana-related arrests, but a decrease in marijuana seizures in 2000. The amount of marijuana seized may have increased drastically in December 2000 (figures not yet available), because the NCB often seizes more marijuana after the marijuana crop is harvested in September-October. The NCB has also received more information on drug cultivators and dealers from the public after increased public education on the harmful effect of drugs on the individual and the society. A kilogram of marijuana sells at Cedis 12,000 (approx. \$1.80). A wrap or joint sells at approx. Cedis 5000-6000 (approx. \$.70-\$.90).

Drug dealers, using matchsticks as measures, retail cocaine or heroin at prices between Cedis 2,000-6,000 (approx. \$.30-.90), depending on purity. The matchstick is dipped in cocaine or heroin powder and what collects on the head of the match is sold. A drug addict might need eight to twelve of these matchsticks per day.

The police narcotics unit and the NCB have worked closely with the Accra INS sub-office. INS Accra shares information about drug activities between the U.S. and Ghana with the Ghanaian police and NCB, who corroborate the information and ultimately work the case. This free exchange of information has resulted in the arrest of several drug dealers, including the arrest of an individual in Ghana, who is now the subject of a U.S. pending extradition request.

In April 2000, a Ghanaian drug smuggling syndicate based in the U.K. and Holland was apprehended by British and Dutch security personnel. Three Holland-based Ghanaians were arrested in Amsterdam, preparing to smuggle cocaine to the U.K. from Suriname. Four other U.K.-based Ghanaians have also

been arrested and convicted. They received from four to 20 years in prison.

A combined team of the NCB's rapid deployment unit and the police narcotics unit continued to investigate the production and distribution of narcotics and to destroy cultivated cannabis farms and plants in 2000.

The NCB has succeeded in working with DHL and Federal Express to intercept packages containing narcotics that were destined for the U.S., Ghana or London. The NCB has also apprehended members of a drug ring in the Brong-Ahafo Region who were colluding with transport drivers to smuggle drugs through the country.

Corruption. In 2000, there were no narcotics-related public corruption cases reported. In two 1998 cases involving the Bureau of National Intelligence and the Judicial Service, the four officers involved in the case were dismissed from service.

Agreements and Treaties. U.S.-Ghana extradition relations are governed by the 1931 U.S.-U.K. Extradition Treaty, to which Ghana acceded. Ghana has extradited four narcotics offenders to the U.S. under this treaty (one in 1992 and two in 1994), and one in January 2001 to New Jersey. Additionally, Ghana is a party to the Economic Community of West African States (ECOWAS) Protocol Agreement, which includes an extradition provision. Ghana is also a party to the 1988 UN Drug Convention, the 1971 UN Convention of Psychotropic Substances, and the 1961 UN Single Convention and its 1972 Protocol.

Cultivation and Production. Marijuana or cannabis grows in Ghana, so it is easily available and widely abused. The cannabis comes from the rural areas, where it is cultivated illicitly, to the urban areas, where there is a ready market for it. Some cannabis is trafficked to neighboring and European countries. Cannabis is usually harvested in September and October, and knowing this, law enforcement teams increase surveillance and investigation during this time. As a result, a large amount of arrests for cannabis cultivation are made in the latter part of the year.

Drug Flow/Transit. Cocaine and heroin are the main drugs that transit Ghana. Marijuana is smuggled from Ghana to other African countries and to Europe. Narcotics entering Ghana are sometimes repackaged for reshipment to the United States and Europe through various concealment methods, such as: hidden in false compartments in briefcases, bags, and cartons; deposited into unaccompanied baggage; hidden in exported foodstuffs (yams, pineapples, palm oil, fish, kola nuts, etc.); or placed in condoms or cellophane and swallowed by individuals. According to DEA, there has been a notable increase in the number of intercepted packages of narcotics destined for Accra. There is no evidence that drugs transiting Ghana have a significant effect on the U.S.

According to the NCB, citizens of neighboring West African countries increasingly use Ghanaian passports to travel because it raises less suspicion than other countries' (e.g., Nigeria). In addition, drug smugglers often purchase their tickets in Ghana because the exchange rate favors their currencies. The NCB reports that after a series of unpublicized orientation courses for law enforcement officers this year, security agents were able to increase greatly arrests of drug smugglers. No illegal drug labs were detected in Ghana in the year 2000.

Demand Reduction. The NCB works with the Ministry of Local Government and Rural Development to encourage members of Ghana's 110 district assemblies to include narcotics prevention in their education programs. To date, the NCB has conducted drug education programs in 98 of the district assemblies. The NCB also works with the Ministries of Health and Education through the ministries' representatives on the Board. Drug prevention education programs, such as the program the NCB held on the International Day Against Drug Abuse on June 26, target the general public as well as the ministries themselves.

The NCB has received cooperation from Ghanaian newspapers in publishing names and pictures of arrested drug offenders, which the NCB hopes will increase awareness of the repercussions of drug activities.

In September 2000, the NCB, in collaboration with the United Nations Drug Control Program (UNDCP) Regional Office for West and Central Africa, organized a national workshop on drug abuse in Ghana. In October and November 2000, the NCB organized workshops to educate media on narcotics issues, and to coordinate with NGOs on a drug prevention education action plan.

With school authorities, the NCB has helped establish drug-free clubs in all secondary schools to apply peer pressure in drug prevention education. In 1999 the Ministry of Education, in cooperation with the NCB, placed drug prevention education in the curriculum of all secondary schools and teacher training

colleges. The NCB distributes literature, broadcasts antidrug information on the radio, and delivers talks at schools nationwide.

The School Health Education Program (SHEP) handles all drug prevention education in Ghanaian schools. In addition, in 1999 the NCB and the Ghana Education Service formed a committee with SHEP, school guidance counseling units, and the welfare unit, to oversee drug prevention education. Treatment programs have lagged behind preventative education and enforcement due to lack of funding.

IV. U.S. Policy Initiatives and Programs

U.S. Goals/Objectives. U.S. goals are: to strengthen Ghanaian law enforcement capacity; to strengthen the Ghanaian government's ability to identify, investigate, and prosecute narcotics-related crime; and to reduce Ghana's role as a transit point for narcotics.

Bilateral Cooperation (Accomplishments). U.S. Customs participated in a counter narcotics survey with DEA in April 2000. Ghana and DEA co-sponsored a regional antinarcotics course for law enforcement officers in March. INS Accra joined DEA in conducting the training. Law enforcement officers from Ghana, Togo, Benin and Cameroon attended. In September the U.S. and Ghana signed a Letter of Agreement renewing their narcotics cooperation and calling for the U.S. to provide \$82,000 in equipment to support the NCB in its efforts to combat narcotics in Ghana.

In November 2000, Ghana's Police Criminal Investigative Division, working with U.S. Customs and DEA, apprehended the Ghanaian leader of an East Coast narcotics ring. The alleged drug smuggler is the subject of an extradition request.

Ghana has also received technical equipment from the German government and the UNDCP to aid the NCB's counternarcotics activities.

The Road Ahead. The U.S. wants to continue its productive relationship with the Government of Ghana to improve Ghana's narcotics interdiction and investigative capabilities.

Iran

I. Summary

The Islamic Republic of Iran is a major transit route for opiates smuggled from Afghanistan and through Pakistan to the Persian Gulf, Turkey, Russia and Europe. There is no evidence that narcotics that transit Iran are in an amount sufficient to have a significant effect on the U.S. at this time. Iran is no longer a major drug-producing country. An extensive 1998 U.S. survey concluded that the amount of opium poppy cultivation in Iran is negligible, down from an estimated 3,500 hectares in 1993. A follow-up survey in 1999 reached the same conclusion. However, as the President's November 2000 notification to the U.S. Congress of the list of major drug producing and transit countries stated, Iran is a country of concern. As with all former producing countries, the USG continues to watch closely for evidence of renewed poppy cultivation or evidence that drugs transiting Iran reach the U.S. in significant quantities. The Government of Iran (GOI) has informed the United Nations International Drug Control Program (UNDCP) that Iran has a growing drug addiction problem and lacks the resources to counter it.

The GOI has demonstrated a sustained political commitment to combat narcotics. Iran has been in the forefront of efforts by the international community to combat the Afghan drug trade, leads all other countries in the region in drug seizures by a wide margin, and has lost 3,000 law enforcement personnel in clashes with drug traffickers. No other country has taken the fight to the Afghan drug trade to this extent. The UNDCP opened a country office in Tehran in June 1999, and inaugurated a \$12.7 million drug control project with Iran. Iran has received assistance from the United Kingdom and Germany and has bilateral counternarcotics cooperation agreements with 11 other countries.

Iran has ratified the 1988 UN Drug Convention, but its laws do not bring it completely into conformity with the Convention. The UNDCP is working with Iran to modify Iran's laws, train the judiciary, and improve the court system.

II. Status of Country

Land routes across Iran constitute the single largest conduit for Southwest Asian opiates en route to European markets. Entering from Afghanistan and Pakistan into eastern Iran, heroin, opium, and morphine are smuggled overland, usually to Turkey but also to Turkmenistan, Armenia, and

Azerbaijan. Drugs are also smuggled by sea across the Persian Gulf.

Iran is no longer a major drug-producing country. An extensive 1998 U.S. survey and a 1999 follow-up survey both concluded that the amount of opium poppy cultivation was negligible, down from an estimated 3,500 hectares in 1993. According to the UNDCP, there are no reports indicating illicit narcotics cultivation in Iran.

Drug addiction in Iran is a growing problem. In 2000, Iran estimated that the number of drug addicts was approximately 1.2 million, with an additional 600,000 drug abusers. Observers ascribe the GOI's more aggressive antidrug policies, at least in part, to concern over burgeoning drug addiction and related crime problems in major Iranian urban centers. Although the most common drugs of abuse are opium and hashish, the UNDCP reports that the use of heroin, including by injection, is increasing in Iran.

III. Country Actions Against Drugs

Policy Initiatives. The UNDCP opened a country office in Tehran in June 1999. The UNDCP and the GOI signed an agreement for a four-year project called "NOROUZ" ("New Year" in Farsi). The project is budgeted at \$12,701,200 by UNDCP, and supported by Iran at the level of \$120 million per year. The project has four parts: interdiction, demand reduction, legal assistance and reform, and community awareness. Since 1995, the GOI has better recognized the magnitude of its domestic drug abuse problem and has given counternarcotics efforts more resources and higher-level attention.

In January 2000, Iran hosted the first International Conference of Drug Liaison Officers, which was attended by representatives of regional and European countries, as well as Canada and Australia. The conference agreed to establish a regional drug control information center in Tehran.

Iran has asked the UNDCP and its member nations to support Iran's counternarcotics efforts because Iran's efforts reduce the flow of drugs to Europe. In response, the United Kingdom has provided nearly \$2 million for counternarcotics assistance.

Law Enforcement Efforts. The Antinarcotics Headquarters coordinates the drug-related activities of the police, the Islamic Revolutionary Guard Corps, and the Ministries of Intelligence and Security, Health, and Islamic Guidance and Education. Iran claims to spend up to \$400 million annually against drugs.

Iran pursues an aggressive border interdiction effort. A senior Iranian official told UNDCP that Iran has invested as much as \$800 million in a system of berms, channels, concrete dams, sentry points, and observation towers, as well as a road along the entire eastern border. According to press reports, the Iranian government also intends to build a fence along its border with Afghanistan. There are enormous on-going costs associated with these projects. Thirty thousand law enforcement personnel are regularly deployed along the border, and Iran reports that more 3,000 law enforcement officials have been killed in clashes with heavily-armed smugglers during the last two decades. Interdiction efforts by the police and the Revolutionary Guards resulted in numerous drug seizures. According to the UNDCP, Iranian officials seized 253,275 kilograms of illicit drugs in 1999 and 116,475 kilograms of illicit drugs in the first six months of 2000, dismantling a total of 2,310 trafficking groups in 1999 and 2000. In addition, after two years of bumper crops in Afghanistan, opium stocks are likely to be at record levels, making it unlikely that drugs will stop flowing into Iran in large amounts.

Drug offenses are under the jurisdiction of the Revolutionary Courts. Punishment for narcotics offenses is severe, with death sentences possible for possession of more than 30 grams of heroin or five kilograms of opium. Those convicted of lesser offenses may be punished with imprisonment, fines, or lashes, although lashing is said to have been used less in the last year or two. Offenders between the ages of 16 and 18 are afforded some leniency. Iran has executed more than 10,000 narcotics traffickers in the last decade. According to the UNDCP, Iranian officials made 228,413 drug-related arrests (including on charges of drug abuse) in 1999, while the number of prisoners convicted on drug-related charges was 85,301, approximately 60 percent of Iran's total prison population. Some human rights groups allege that the government has been known to charge its political opponents with drug offenses falsely as a means of neutralizing their political activities.

Corruption. Although there is no indication that high government officials aid or abet narcotics traffickers, there are periodic reports of corruption among lower-level law enforcement, which is consistent with the transit of multiple-ton drug shipments across Iran. Punishment of corruption appears to be harsh.

Agreements and Treaties. Iran is a party to the 1988 UN Drug Convention. Its legislation does not

bring it completely into conformity with the Convention, particularly in the areas of money laundering and controlled deliveries. The UNDCP is working with Iran through the NOROUZ Program to modify its laws, train the judiciary, and improve the court system. Iran is a party to the 1961 UN Single Convention, and has signed bilateral counternarcotics agreements with Azerbaijan, Bangladesh, India, Kazakhstan, Kuwait, Nigeria, Pakistan, Qatar, Russia, Turkey, and Turkmenistan. Iran has shown an increasing desire to cooperate with the international community on counternarcotics matters and recently signed separate quadripartite MOUs on money laundering and drug control with Armenia, Georgia, and UNDCP as well as Azerbaijan, Georgia, and UNDCP. In January 2000, according to press reports, Iranian airport officials visited Cyprus to look into ways to control drug trafficking from Iran to Cyprus. Iran participates with the UNDCP and Pakistan on a reasonably successful project to bolster drug interdiction efforts on the Iran-Pakistan border. Iran is a member of the ten-nation Economic Cooperation Organization (ECO), which established a counternarcotics center as part of its secretariat. In March, the Iranian permanent envoy to the UN's Commission on Narcotic Drugs (CND) was elected by a large majority to chair the Commission for a one-year term. Under his able chairmanship, the Commission developed a reporting and evaluation program to follow up on commitments made at the 1998 UNGA Special Session on Drugs. Iran has been active participant on counternarcotics issues through the UN's "Six Plus Two" process on Afghanistan, and signed the Six Plus Two Regional Action Plan in September. Iran signed the UN Convention Against Transnational Organized Crime in December, 2000.

Cultivation and Production. A 1998 U.S. survey of opium poppy cultivation in Iran and a detailed multi-agency assessment concluded that the amount of poppy being grown in Iran is negligible. The survey looked at more than 1.25 million acres in Iran's traditional poppy-growing areas, and found no poppy crops growing there, although the survey could not rule out the possibility of some cultivation in remote areas. A follow-up survey in 1999 reached the same conclusion. This evidence that no poppies are being grown is consistent with Iranian claims and evidence from other concerned countries and the UNDCP.

U.S. opium crop estimates were a major factor in placing Iran on the Majors List in previous years. In 1993, a previous survey showed 3,500 hectares under cultivation. Iran was removed from the Majors List in 1998, following the survey.

Drug Flow/Transit. Shipments of opiates enter Iran overland from Pakistan and Afghanistan by camel, donkey or truck caravans, often organized and protected by heavily-armed ethnic Baluch tribesmen from either side of the frontier. Once inside Iran, large shipments are either concealed within ordinary commercial truck cargoes or broken down into smaller sub-shipments. Foreign embassy observers report that Iranian interdiction efforts have disrupted smuggling convoys sufficiently to force smugglers to change tactics and emphasize concealment. The use of human mules reportedly is on the rise.

Most of the opiates smuggled into Iran are smuggled to neighboring countries for further processing and transportation to Europe. Turkey is the main processing destination for these opiates, most of which are bound for consumption in Russia and Europe. Established trade and smuggling routes from Iran through Turkmenistan, Azerbaijan, and Armenia provide alternative routes to Russia and Europe that bypass Turkish interdiction efforts. Additionally, despite the risk of severe punishment, marine transport is used through the Persian Gulf to the nations of the Arabian Peninsula, taking advantage of modern transportation and communication facilities and a laissez faire commercial attitude in that area. A significant, but unknown, quantity of opiates smuggled into Iran remain there for domestic consumption by an estimated 1.8 million users.

Demand Reduction. The Government of Iran estimates the number of drug addicts at over 1.2 million, with an additional 600,000 drug abusers. However, a physician and member of the national committee against AIDS estimated that there are 3.3 million addicts. UNDCP estimates that 1.5 to two percent of a population of 63 million has a serious drug problem. Ninety-three percent of these are male, with a mean age of 33.4 years (plus or minus 10.5 years), and 1.4 percent are HIV positive. In the past, the Islamic Republic attacked illegal alcohol use with more fervor than drug abuse, and was reluctant to discuss drug problems openly. Since 1995, public awareness campaigns and attention by two successive Iranian Presidents as well as cabinet ministers and the parliament have given demand reduction a significant boost. Under the NOROUZ plan, the Government of Iran spent more than \$68 million dollars in the first year for demand reduction and community awareness. The Prevention Department of Iran's Social Welfare Association runs 12 treatment and rehabilitation centers, as well as 39 out-patient treatment programs in all major cities. Some 30,000 people are treated per year, and some programs have three-month waiting lists. Narcotics Anonymous and other self-help programs can be found in almost all districts as well and several nongovernmental organizations focus on drug demand reduction. There are no methadone treatment or HIV prevention programs, although HIV

infection in the prison population is a serious concern.

IV. U.S. Policy Initiatives and Programs

In the absence of diplomatic relations with Iran, the United States of America has no narcotics initiatives in Iran. The United States Government continues to encourage regional cooperation against narcotics trafficking. Iran and the U.S. have expressed similar viewpoints on illicit drugs and the regional impact of the Afghan drug trade. In the context of multilateral settings such as the UN's Six Plus Two group, the U.S. and Iran worked together productively. Iran nominated the U.S. to be coordinator of the Six Plus Two counternarcotics initiative.

The Road Ahead. The GOI has demonstrated sustained national political will and taken strong measures against illicit narcotics, including cooperation with the international community. Iran's actions support the global effort against international drug trafficking. Iran's effort to work more closely with its neighbors to counter the Afghan drug trade is another promising development.

Israel

I. Summary

Israel is not a significant trafficker or producer of drugs, however the expanding supply of drugs in Israel is a significant problem. Israel works closely with U.S. agencies in combating drug trafficking. On August 8, 2000, Israel passed legislation that criminalizes money laundering, creates procedures for criminal and civil forfeiture of the proceeds of money laundering, introduces reporting of the transfers of currency into and out of Israel, and authorizes the issuance of regulations requiring the reporting of irregular transactions by Israel financial institutions. Israel is now in the process of implementing regulations to implement this new law. Israel plans to become a party to the 1988 UN Drug Convention in the near future.

II. Status of Country

Israel is not a significant trafficker or producer of drugs or precursor chemicals. Internally, the drug market is experiencing a growing demand among nearly all sectors of the population and an expanding supply of a wide variety of drugs.

In June 2000 Israel was included in the announcement of non-cooperative countries, published by the Financial Action Task Force (FATF), primarily because Israel at that time did not have a comprehensive legal mechanism for fighting money laundering. However Israel in August passed money laundering legislation, and is now in the process of formalizing regulations to implement the new law.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The Antidrug Authority (ADA) sets Israeli drug policy, and has focused its initiatives on children and youth at high risk for the past several years. Its budget has remained approximately \$9.5 million during this time. The ADA continues to coordinate the activities of the ministries responsible for various antidrug initiatives (Education, Health, Labor and Social Affairs, Interior, Justice/Internal Security), and reports directly to the Prime Minister. The ADA remains concerned about the expanding supply of drugs, including marijuana, amphetamines and their derivatives, as well as heroin, cocaine and LSD.

Israel continues to work closely with the U.S. DEA and U.S. Customs officials. This year the Israeli Customs Authority expanded its responsibility over narcotics-related enforcement activities, and initiated new training for its officers on conducting drug searches.

Accomplishments. Israel's passing of money laundering legislation was a key accomplishment in 2000. As of December 2000, Israel police have formalized regulations regarding reporting mechanisms, and we expect banking regulations to be finalized in coming weeks. Israel is also in the process of setting up a Money Laundering Authority (to include a Financial Intelligence Unit), which will coordinate information and activities with Israeli police, customs, banks and all other relevant entities.

Law Enforcement Efforts. Some 19,066 drug-related files were opened by the Israeli police during the first ten months of 2000, a more than 16 percent rise over the same period the previous year. The number of drug-related arrests during the first ten months of 2000 rose six percent over the same period last year to 3,923. Since the mid-1990s drug files have accounted for about four percent of all

criminal files. In the last decade the number of files involving drug crimes increased 143 percent from some 8,000 files in 1989 to nearly 19,500 files in 1999. The Israeli police report that most drug criminals are males between the ages of 22 to 35; some 30 percent are non-Jews and the remaining ten percent are women.

This year Israel seized some 260,000 ecstasy tablets, down from last year's 464,651, but more than double the number of tablets seized in 1998. Seizures of cannabis were up to 8,557.6 kilograms during the first ten months of 2000, compared to 3,470 during the first ten months of 1999. Seizures of cocaine in Israel this year dropped to about 9.8 kilograms as compared to 28 kilograms in 1999. (More than 50 kilograms of cocaine were seized in other countries en route to Israel, according to Israeli police.) Some 7,681 blotters of LSD were seized this year, similar to the 7,301 seized last year. The authorities seized 65.8 kilograms of heroin during the first ten months of 2000, compared to 112.5 kilograms in the first ten months of 1999.

Corruption. Israel has no cases of government corruption in narcotics issues, nor is there any explicit or implicit official support for narcotics-related activities. Israel does not have legislation for public corruption relating to narcotics per se, but punishes corruption in all government matters when proven.

Agreements and Treaties. In 1991 Israel and the U.S. signed a Memorandum of Understanding calling for bilateral cooperation to combat illicit narcotics trafficking and abuse. A Dual Taxation Treaty entered into force between the U.S. and Israel in 1994, which grants U.S. tax authorities limited access to bank account information. A customs mutual assistance agreement and a mutual legal assistance treaty are also in force between Israel and the U.S. On December 12, 2000, Israel signed the UN Convention Against Transnational Organized Crime in Palermo, Italy. Israel has acceded to the European Convention on Mutual Legal Assistance in Criminal Matters and is a party to the 1971 UN Convention on Psychotropic Substances and the 1961 Single Convention on Narcotics and its 1972 Protocols. Israel is one of 36 parties to the European Treaty on Extradition and has separate extradition treaties with several other countries, including the U.S. Under a 1999 law, an Israeli citizen who is deemed a "resident" of Israel at the time of the extradition request may be extradited for trial abroad only if the state seeking extradition promises in advance to return the person to Israel to serve any sentence imposed. Israel is party to a number of other bilateral and multilateral agreements that through unrelated issues allow for extradition and asset seizure. Israel cooperates with UNDCP. Israel has signed but has not ratified the 1988 UN Drug Convention. Israel now has legislation in place for each of the 11 principal elements of the Convention.

Cultivation/Production. Israeli police report that marijuana is cultivated locally in Israel and drugs are produced in clandestine laboratories in limited quantities. The amount cultivated or produced locally has only a marginal impact on the local drug market, and no proven impact on the U.S.

Drug Flow/Transit. Most of the drugs that are imported to Israel are consumed in Israel. Three tons of marijuana, which had transited Israel from South Africa to Romania, were seized in 2000. The Israeli police have no additional information to indicate Israel has acted as a drug transit point this year. The main countries that provide illicit narcotics to Israel include Jordan (heroin, ecstasy, cocaine), Lebanon (heroin, cannabis), Egypt (marijuana), India and Turkey. Source and transit countries also include Asia, Europe, South America and the United States. Israeli police indicate that Israelis play a major role in international drug trafficking networks in source, transit and distribution countries.

Amphetamines and their derivatives, originating primarily from the Netherlands, are the most prevalent drugs in Israel. The most widely used derivative is MDMA (ecstasy), which is generally marketed in the form of a capsule or tablet bearing various imprints (or occasionally in the form of powder). The drug is widely used at "acid parties" which have become popular among Israeli youths. The availability of amphetamines on the Israeli market is estimated to be in the millions of tablets; the price of an ecstasy tablet ranges from \$12-\$25.

The supply of marijuana (primarily from Egypt) has increased in Israel, and is measured by tens of tons. The price of 4-5 grams of marijuana is \$12-\$20, and it is \$175-\$500 per kilogram. Hashish use has steadily decreased. Israeli police say this is probably the result of reduction in hashish cultivation in Lebanon due to international pressure to destroy the crops. The hashish market in Israel is measured in hundreds of kilograms.

Heroin is widely available in Israel (mostly transiting from Jordan, also from Lebanon and Egypt), although there has been a decrease in the quantities seized thus far this year (65.8 kilograms as compared to 112.5 kilograms in 1999). The heroin market is measured in tons, and prices range from \$12-\$25 for a dose, \$25-\$50 for a gram, and \$22,500-\$30,000 for a kilogram. Israeli police indicate that

Jordan has become an important transit country for heroin trafficked from Lebanon and Turkey via Syria, but this heroin goes to Europe. There is no evidence that significant amounts of heroin trafficked through Israel reach the U.S.

Cocaine is widely available on the Israeli market (measured in tons), and is imported from source countries in South America (Peru, Bolivia and Colombia) and from transit countries in South and Central America (Mexico, Chile, Brazil, Venezuela, and Paraguay) as well as from Europe and the U.S. The price of a gram ranges from \$38-\$112 and a kilogram costs \$50,000-\$55,000.

LSD has become more popular in Israel over the past decade, and is measured in tens of thousands of LSD squares. The price of LSD is \$12-\$25 per blotter, or \$15 for a micro-tablet. An expensive drug used by a small sector of the population, the opium market is measured in tens of kilograms.

Domestic Consumption of Illicit Drugs. The Israeli police estimate that the Israeli drug market is valued at billions of dollars per year. In 2000, the police estimated the size of the Israeli drug market for 2000 as 50 tons of marijuana, five tons of heroin, two to three tons of cocaine, millions of amphetamine tablets and tens of thousands of LSD blotters.

Domestic Programs. The Israel Antidrug Authority (ADA) works in the areas of prevention, education, public awareness, treatment and rehabilitation, law enforcement, community development, research and information, personnel training, and encouragement of NGOs. The ADA focuses on youth and soldiers, through the Ministry of Education, local authorities, the media and parents. Youth groups considered at highest risk are new immigrants from the former Soviet Union, Ethiopia and the Arab sector, according to the ADA. "Rave culture" is gaining strength in Israel.

The ADA's main prevention methods are creating awareness of the risks of drug use and providing programs to help "at risk" youth through peer counseling, sports, travel and other programs. The ADA has modified its programs to meet specific cultural and educational needs of minorities and new immigrants. It focuses on youths both in the official educational system and in Israel's many youth movements, centers, and sports clubs, as well as the Army. The ADA also coordinates drug-related programs of the Ministry of Education and the Ministry of Labor/Social Affairs, as well as throughout the NGO community.

According to the ADA, there are 250,000 drug users (from casual to hard core addicts for all types of drugs) in Israel. Of those, an estimated 20,000 are heroin addicts.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S. continues to aim to assist Israel in building a self-sustaining drug interdiction force and foster regional cooperation with Israel's neighbors on antidrug issues.

Bilateral Cooperation. There is excellent ongoing cooperation between the USG and Israel on the exchange of records in connection with narcotics investigations and proceedings. U.S. DEA officials in Cyprus report that their Israeli counterparts keep good records on narcotics-related issues and always share them with the USG. U.S. Customs officials in Rome concur that Israeli authorities are fully cooperative with Customs investigations.

The Road Ahead. As Israel has passed money laundering legislation this year, it has cleared the last impediment preventing it from ratifying the 1988 UN Drug Convention, which it plans to do in the near future. Israel's Antidrug Authority will continue to focus on prevention within the youth segment of the population. Israeli Customs authorities plan to expand the number of drug-sniffing dogs in 2001 as part of the country's overall effort to improve drug interdiction on its borders and within its ports of entry.

Jordan

I. Summary

Jordan's domestic drug abuse problem remains small due principally to the active enforcement of existing laws, and the cultural and religious norms which help limit the use of illegal drugs. Jordan remains, however, a transit country owing to its pivotal location between drug producing countries to the north, and drug consuming countries to the south and west.

Cooperation between neighboring countries, particularly Lebanon and Syria is ongoing and strong. Cooperation with Israel continues, but Jordan hopes for a more comprehensive and cooperative agreement. Hashish abuse remains on the decline due largely to eradication efforts and tough

enforcement from Lebanon, where the drug reportedly originates. Jordanian officials announced a three-year national strategy to combat drugs of abuse in December 1999. Jordan is a party to the 1988 UN Drug Convention and looks forward to increased support from the European Union and the United States to improve its enforcement capabilities.

II. Status of Country

No obvious indicators suggest that Jordan's status will change from a narcotics transit country to a narcotics producing country in the foreseeable future. Seizure statistics and reported drug use appear to support this assessment.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In December 1999, Jordanian officials announced "The National Plan To Combat Drugs And Psychotropic Substances," a government-wide project scheduled to run through 2001. The estimated budget of the project is U.S. \$22.4 million. Activities during the past year consisted mainly of meetings to discuss demand reduction and law enforcement/drug transit cooperation. The plan has three main objectives: prevention, enforcement, and treatment.

Law Enforcement Efforts. As a member of Jordan's Ministry of Interior, Jordan's Public Security Directorate maintains an active Antinarcotics and Counterfeiting Bureau. The bureau sought and received training from France during the reporting period. France trained Jordanian enforcement officers in raid and self defense techniques during narcotic investigations. Jordan continues to seek training assistance from the U.S. and other European nations.

Cannabis and heroin seizures rose in 2000 to 127 kilograms from 41 kilograms the previous year; cannabis seizures at 297 kilograms were also up sharply from a year ago (46 kilograms). The largest heroin seizure ever occurred in 2000, when police and antinarcotics officers seized 107 kilograms of heroin being smuggled into Jordan by way of the Syrian border. The heroin was valued at about U.S. \$4 million. Seizures of synthetic drugs in tablet form also increased dramatically during 2000. The tablets are a combination of amphetamines, colloquially called "captagon." Enforcement officials attribute this increase to the flow of drugs from Turkey, making their way to and through Jordan. Jordanian officials hope to further enhance the already existing antinarcotics cooperation with Turkish enforcement officials and improve efforts to combat this increase.

Corruption. Jordanian officials report no narcotic-related corruption or investigations into narcotics-related corruption for the reporting period. There is currently no evidence to suggest that senior level officials are involved in narcotics trafficking.

Agreements and Treaties. Jordan remains committed to existing bilateral agreements with Syria, Lebanon, Iraq, Saudi Arabia, Turkey, Egypt, Pakistan, and Hungary, which have established some form of counternarcotics cooperation. Jordan and the U.S. concluded an extradition treaty in 1995. To date, no drug-related extraditions have taken place.

Cultivation or Production. Authorities vigorously enforce existing laws that prohibit the cultivation or production of narcotics in Jordan.

Drug Flow/Transit. Jordan is a transit country for illicit drugs moving from producing countries to consuming countries. Enforcement officials directly ascribe this drug flow problem to the long, desert borders with Syria, Iraq, Saudi Arabia, Israel, and the West Bank.

Domestic Programs and Demand Reduction. The Ministries of Interior and Health offer treatment and rehabilitation as an alternative to incarceration. Enforcement officials and prosecutors work side-by-side to identify potential candidates for treatment. The Ministry of Education and Health makes presentations on drug abuse to school age youths, conducts awareness briefings, and produces lecture materials on prevention, awareness, and addiction. Health and social development officials expect the number of treatment beds to rise in the coming years. Taking advantage of Jordan's widespread adherence to Islam to advance drug abuse prevention, the Ministry of Islamic Affairs and Holy Places also directs religious speeches, lessons, and lectures on awareness of drugs and their effects.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. While no training was scheduled in 2000, Jordan's training needs are under regular review, and efforts will be made in the future to include Jordan in available drug enforcement training.

Bilateral Cooperation. Jordan's Antinarcotics Bureau has a close working relationship with the DEA through the DEA country attaché in Cyprus. The U.S. does not have a bilateral narcotics agreement with Jordan.

The Road Ahead. U.S. Embassy officials expect continued cooperation with Jordanian enforcement and policy officials on antinarcotics matters, and look forward to Jordan's initiatives and efforts to implement vigorously Jordan's three-year national strategy to combat drugs of abuse.

Kenya

I. Summary

Kenya is a transit country for heroin and hashish, mostly bound from Southwest Asia for Europe and North America. Heroin transiting Kenya has increased in quality in recent years and is destined increasingly for North America. Although it is difficult to determine the exact impact that heroin transiting Kenya is having on the U.S., it is not yet believed to be significant. Multi-ton hashish shipments also continue to be interdicted in Kenya. Cannabis/marijuana is grown commercially and imported from neighboring countries for the illegal domestic market. There is a small local heroin market. Air passenger profiling and other techniques have helped reduce airborne heroin shipments. Interdiction of narcotics shipments by sea has been less successful, but a program for profiling shipping containers is in effect and has resulted in some seizures. Police broke up a major heroin and hashish smuggling operation in 2000, but the leader of the ring escaped arrest and was subsequently murdered in the Netherlands. Other members of the ring are now being prosecuted. Police also uncovered two cases of heroin smuggling by airline personnel. The Kenyan government has not finalized a long-awaited National Drug Control Master Plan. The Antinarcotics Unit (ANU) of the Kenyan police continues to cooperate well with international and regional antinarcotics officials. Although government officials profess strong support for antinarcotics efforts, the overall program suffers from a lack of resources. In 2000, Kenya ratified the 1971 UN Convention on Psychotropic Substances. Kenya is a party to the 1988 UN Drug Convention and has enacted full implementing legislation.

II. Status of Country

Kenya is a significant transit country for narcotics moving to Europe and a minor producer of narcotics. Heroin and hashish transiting Kenya are having an increasing impact on the United States. Cannabis or marijuana is produced in commercial quantities for the domestic market, while small quantities of cocaine and other drugs originating outside Africa transit Kenya for consumers in southern Africa.

Kenya's sea and air transportation infrastructure, and the network of commercial and family ties that link some Kenyans to Southwest Asia, make Kenya an important transit country for Southwest Asian heroin. In 2000, officials noted a dramatic shift from low-purity brown heroin to higher-purity white heroin, and believe that the higher-purity product is destined principally for the United States. Officials now believe that the United States is at least as important as Europe as a destination for heroin transiting Kenya. It is difficult to estimate the quantities of heroin reaching the United States through Kenya and other points in East Africa, and the impact of this heroin on the U.S. market is therefore also difficult to estimate precisely - although it is not yet believed to be significant. Kenya is also an important transit point for Southwest Asian cannabis resin (hashish), and police have made several multi-ton hashish seizures in recent years. After a hiatus of two years, police seized four kilograms of cocaine in 2000 which was believed to be destined for sale in southern Africa. Although Nairobi serves as a regional financial center, there is no direct evidence that Kenya is a major money-laundering country. Kenya does not produce significant quantities of precursor chemicals.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Kenya has drafted, but not yet adopted or implemented, a national drug control master plan. Assurances from the relevant minister that the plan would be presented to the cabinet in 2000 were not fulfilled. Regional cooperation, however, improved during 2000 with regular meetings and sharing of information between narcotics officials in Kenya, Uganda, Tanzania, and Rwanda. Kenyan authorities also improved internal information sharing and operational coordination between various government agencies, airlines and other entities. ANU officers also began a program of outreach to judges and magistrates, educating them on antinarcotics law and the seriousness of narcotics issues. ANU continued to publicize its message effectively through local media. Kenya has no crop substitution or alternative development initiatives for progressive elimination of the cultivation of narcotics.

The ANU remains the focus of Kenyan antinarcotics efforts. The ANU received slightly more resources from the central government in 2000, and continues to expand the number of antinarcotics officers. A key element of the proposed master plan is the identification of a senior civil servant to liaise with donors and coordinate a broad antinarcotics effort, including a much-expanded preventative education campaign. The ANU would then be freer to concentrate on its interdiction mandate.

Accomplishments. The ANU continued its professionalization efforts in 2000. Many ANU officers have undergone training, much of it through the UNDCP and bilateral programs sponsored by the U.S., German, British, Japanese, and other governments. The ANU and the Kenyan Customs Service now have a cadre of officers proficient in profiling and searching suspected drug couriers and containers at airports and seaports. There have been some good results with profiling at airports, although generally for couriers and not major traffickers. Results at seaports have been more modest. The ANU deploys drug-sniffing dogs and took action in 2000 to improve the dog teams' effectiveness. The ANU is building its surveillance capabilities and is able to carry out increasingly sophisticated operations. Inadequate resources, a problem throughout the Kenyan police force, significantly reduce the ANU's operational effectiveness.

The ANU cooperates fully with the United States and other nations on antinarcotics investigations and other operations. Police broke up a major heroin and hashish smuggling operation in 2000, but the leader of the ring escaped arrest and was murdered in the Netherlands while Dutch officials were considering a Kenyan request for assistance in arresting and extraditing the suspect. Other members of the ring are now being prosecuted in Kenya. The ANU also cooperates with other agencies in controlled delivery operations.

Law Enforcement Efforts. Kenya seized 27 kilograms of heroin in 2000 and arrested 65 people on heroin-related charges. This represented the fourth straight year of increase in the amount of heroin seized, and a substantial increase over the 17.5 kilograms seized in 1999. Officials report a sharp shift from lower-quality brown heroin to higher-quality white heroin, and report that much of the white heroin transiting Kenya is destined for the United States and not Europe, and that quantities are still believed to be too small to have a significant effect on the U.S. Most couriers arrested in Kenya conceal heroin by swallowing it. The ANU concentrates its antiheroin operations at Kenya's two international airports, but has also begun targeting street users of heroin, particularly in Mombasa.

Kenyan authorities seized 4,715 kilograms of hashish in Mombasa in 2000 in a single raid. The hashish was being processed for shipment to Europe or North America. The incident was the latest in a series of multi-ton hashish seizures on the Kenyan coast. In addition, officials made several smaller seizures. Officials believe Kenyan coastal waters and ports are important transit points for the shipment of hashish from Pakistan or Afghanistan to Europe and North America.

Cocaine seizures in Kenya have fluctuated widely in recent years. Police made four arrests and seized 4.17 kilograms of cocaine in 2000. Police also arrested one person for possession of a prohibited psychotropic drug (Diazepam). Kenyan authorities destroyed 11 acres of cannabis in 2000 and arrested 2895 persons on cannabis-related charges. In 17 cases, the amounts of marijuana seized exceeded 25 kilograms. The ANU continued a program of roadblock operations begun in 1999 in cannabis-producing areas, resulting in the second straight year of significant increase in seizures of cannabis and its derivatives. Officials report increased importation of cannabis from Uganda and Tanzania where the quality is said to be better than Kenya's domestic product. Both domestic and international traffickers in cannabis have begun to process the product before transporting to reduce bulk and eliminate parts of the plant which are not consumed by users.

Kenyan authorities also identified significant drug smuggling by airline personnel who used their preferential access at Nairobi's International Airport to facilitate the transport of Southwest Asian heroin to Europe and/or North America. Police made arrests and are pursuing prosecutions in two cases involving airline personnel. The ANU continued to operate roadblocks for domestic drug trafficking interdiction and is pursuing a variety of policy initiatives for more effective coordination with other government agencies. The ANU has launched an outreach effort to persuade judges and magistrates of the seriousness of antinarcotics offenses and identify ways cases can be handled more effectively. The ANU also disseminates its antinarcotics messages effectively through local media.

Corruption. Corruption remains a significant barrier to effective narcotics enforcement. Despite Kenya's strict narcotics law, which encompasses most forms of narcotics-related corruption, there are continued but unconfirmed reports of public officials being involved in narcotics trafficking. There were no prosecutions of public officials for narcotics-related corruption in 2000. In at least one case, however, police proceeded with a prosecution despite intervention by senior political officials on behalf of the accused. Police frequently complain that the courts are ineffective in handling

antinarcotics cases, although it is not clear whether this is a result of corruption, misunderstanding of the law, or simple judicial backlog. The ANU points out, for instance, that 20 foreign suspects charged with heroin offenses have skipped bail in Kenya since 1995. The ANU has urged the courts to tighten up on bail procedures in these cases. More broadly, anticorruption efforts are an integral part of an economic recovery program negotiated with the International Monetary Fund and the World Bank. These efforts led to significant prosecutions during 2000, but the future of the anticorruption program was not clear at year's end.

Agreements and Treaties. Kenya is a party to the 1988 UN Drug Convention, which it implemented in 1994 with the enactment of the Narcotic Drugs and Psychotropic Substances Control Act. Kenya is also a party to the 1961 UN Single Convention and its 1972 Protocol. Kenya's National Assembly ratified the 1971 UN Convention on Psychotropic Substances in 2000. The 1931 U.S.-U.K. Extradition Treaty remains in force between the United States and Kenya through a 1965 exchange of notes. Under a 1991 Memorandum of Understanding (MOU), amended in 1996, the U.S. donated surveillance and computer equipment to the ANU in 1997. The MOU also provides for sharing of narcotics-related information. The United States and Kenya signed another MOU in 2000 to cover the donation of motorcycles, computers and related equipment to the ANU. The three nations of the East African Cooperation (EAC) group (Kenya, Tanzania and Uganda) continue to consider a draft protocol to enhance regional antinarcotics cooperation.

Cultivation and Production. A significant number of Kenyan farmers illegally grow cannabis or marijuana on a commercial basis for the domestic market. Fairly large-scale cannabis cultivation occurs in the Lake Victoria basin, in the central highlands around Mt. Kenya and along the coast. Foreign tourists export small amounts of Kenyan marijuana. Kenyan officials eradicated about 450 acres of cannabis in 1999, but eradicated only a small amount (11 acres) in 2000. Officials continue to conduct aerial surveys to identify significant cannabis-producing areas. Officials from the ANU are attempting to develop an innovative program of cooperation with the Kenya Wildlife Service to eradicate cannabis grown in the remote and environmentally sensitive Mt. Kenya region. The Kenyan government has no estimates of the size or yield of the cannabis crops.

Drug Flow/Transit. Kenya is strategically located along a major transit route between Southwest Asian producers of heroin and markets in Europe and North America. In 2000, the amount of heroin seized in Kenya and the number of people arrested increased for the fourth straight year. Heroin normally transits Kenya by air, carried by individual couriers. These couriers were once primarily West Africans. More recently, however, couriers are more commonly South Asian (Indian, Pakistani) or East African (Tanzanian, Ugandan). Once in Kenya, heroin is typically delivered to agents of West African crime syndicates, mainly Nigerian. Kenyan police also discovered two significant cases of airline personnel involved in international heroin trafficking in 2000. Prosecutions are continuing in both cases.

The most significant change in heroin trafficking patterns noted by police in 2000 was a dramatic shift from low-purity brown heroin to high-purity white heroin. Over the last five years, heroin seized in Kenya has shifted from almost 100 percent brown to approximately 80 percent white. Officials attribute the increasing amount of white heroin to increased processing capabilities in Pakistan and Afghanistan. Officials also say that the shift from brown to white heroin has been accompanied by a shift from the European to the North American market. According to these officials and other knowledgeable sources, at least half the heroin transiting Kenya is now destined for the United States.

Local, regional and international antinarcotics officials are also paying closer attention to maritime transport of heroin and hashish from Southwest Asia to Kenya and points in East Africa. Maritime shipments through Kenya have long been utilized for multi-ton deliveries of hashish, and police in Mombasa seized 4,715 kilograms in a single raid in 2000. Official reports and anecdotal evidence confirm that small boats often meet with larger vessels anchored off the Kenyan coast and transport drugs and other clandestine material to small landings away from major ports. Customs officials in Pakistan intercepted a maritime shipment of 27 kilograms of heroin to Kenya in 2000. There is also evidence that poor policing along the East African coast makes this region attractive to maritime smugglers. Kenya's near neighbor Somalia has a long coastline and no functioning government. Kenya also has very few maritime interdiction resources. Kenya's police force has a single boat at its disposal, which is not serviceable at present. Two other boats donated to Kenya specifically for narcotics interdiction are also not serviceable, although officials are attempting to have one repaired. Postal and commercial courier services are also used for narcotics shipments through Kenya. In the past, Kenya has been a transit country for methaqualone en route from India to South Africa, mainly entering at the port of Mombasa. There have been no methaqualone (Mandrax) seizures in Kenya, however, for the last three years. Officials have never identified any clandestine airstrips in Kenya used for drug deliveries and believe that no such airstrips exist.

Domestic Programs. Kenya has made little progress in demand reduction, although government officials express increasing concern. In addition to alcohol, illegal cannabis and legal khat are the domestic drugs of choice. Over 200 people died in 2000 as a result of consumption of illegally-brewed alcohol. Heroin abuse is limited generally to members of the economic elite and a slightly broader range of users on the coast. Solvent abuse is widespread (and highly visible) among street children in Nairobi and other urban centers. There are no reliable statistics on domestic consumption of illicit narcotics. Demand reduction efforts are largely limited to publicity campaigns sponsored by private donors and a UNDCP project to bring antidrug education into the schools. Kenyan officials have expressed interest in demand reduction and rehabilitation, but there are no government programs other than occasional speeches to schools and community groups by members of the ANU. There are no special government rehabilitation or drug abuse treatment facilities, but some churches and non-governmental organizations provide limited rehabilitation and treatment programs for solvent-addicted street children.

IV. U.S. Policy Initiatives and Programs

The principal U.S. counternarcotics objective in Kenya is to interdict the flow of narcotics to the United States. The U.S. seeks to accomplish this objective through law enforcement cooperation, the encouragement of a strong Kenyan government commitment to narcotics interdiction and strengthening Kenyan counternarcotics capabilities.

Bilateral Cooperation and Accomplishments. There was a modest expansion of USG bilateral cooperation with Kenya and surrounding countries on counternarcotics matters in 2000. Operational collaboration with the DEA and other USG enforcement agencies remained excellent. The DEA conducted a basic drug interdiction course in Nairobi in 2000 for 35 counternarcotics officers from six different African countries, including Kenya. The U.S. Department of Defense provided a two-person team of drug-detection dog handlers for a one-month program of assistance to Kenyan authorities at international airports and seaports. Both these programs were successful.

Road Ahead. The U.S. will continue to take advantage of its good relations with Kenyan law enforcement to build professionalism, operational capacity and information sharing. The U.S. will encourage progress on adoption of a national drug control master plan and provide suggestions, where appropriate. Nairobi is also an efficient point for conducting regional training and other regional initiatives and the U.S. will actively seek ways to maximize antinarcotics efforts both in Kenya and throughout East Africa. Perhaps most significantly, the U.S. will work with local, regional and international partners to better understand and combat the flow of international narcotics, particularly heroin, through Kenya to the United States. The United States participates in the Mini-Dublin Group, which has responsibility for coordinating counternarcotics assistance from several Western donors.

Lebanon

I. Summary

Lebanon is not a major illicit drug producing or drug-transit country, although it remains a country of concern to the U.S. The Government of Lebanon (GOL) has been successful in destroying illegal crops that have come to its attention but has yet to find a suitable crop to replace the lost revenues and sustain the livelihoods of local farmers. As a result, there have been isolated incidents of individual farmers cultivating opium and hashish to supplement their incomes. Local cannabis production is insignificant, and there is practically no laboratory processing. Drug trafficking across the Lebanese-Syrian border has diminished substantially as a result of Lebanese and Syrian efforts to deter illicit cultivation and smuggling activity. Lebanon is a party to the 1988 UN Drug Convention.

II. Status of Country

Although the GOL has continued to combat illegal crop cultivation, the GOL has noted that the deteriorating economic situation in the country—especially within the agricultural sector—has resulted in isolated incidents of individual farmers cultivating illicit crops, including hashish and opium. With this illicit cultivation has come a slight increase in the level of violence in the drug producing areas. Although the government has gained control over these areas, occasionally producers of illicit crops have shot at strangers who were perceived to be threatening. One such incident occurred in September when unknown assailants fired a burst of machine-gun fire at a European diplomat driving on a secondary roadway near Hirmil.

In 2000, the Internal Security Forces (ISF)—the law enforcement agency tasked with counternarcotics

responsibilities—destroyed opium cultivation in several areas of the Beqa' Valley. However, some plots in remote areas of the valley likely escaped detection. The ISF estimates that approximately 50,000 square meters of land are used for hashish production, and 39,000 square meters are dedicated to poppy production.

Four types of drugs are available in Lebanon—hashish, heroin, cocaine, methamphetamine and other synthetics (ecstasy) although hashish and heroin are no longer available in large quantities. Small quantities continue to be available for local consumption.

Lebanon is not a major transit country and most trafficking is done by amateurs, rather than major drug networks. Marijuana and opium derivatives are trafficked to a modest extent in the region but there is no evidence that illicit narcotics that transit Lebanon reach the U.S. in sufficient amounts to have a significant effect on the U.S. South American cocaine is smuggled into Lebanon primarily via air and sea routes from Europe, Jordan and Syria. Lebanese nationals living in South America in concert with resident Lebanese traffickers often finance these operations. Synthetics are smuggled into Lebanon for use by a wealthy group, which frequents clubs.

There is no significant laboratory processing activity; such activity has practically disappeared due to vigilance of the Syrian and Lebanese governments. Small amounts of precursor chemicals, however, shipped from Lebanon to Turkey via Syria, likely escape detection. Legislation passed in 1998 authorized seizure of assets if a drug trafficking nexus is established in court proceedings. Despite Lebanon's tight banking secrecy laws, authorities seized \$260,000 in narcofunds on behalf of INTERPOL's office in Copenhagen, Denmark.

III. Country Action Against Drugs in 2000

Policy Initiatives. Although there have been no new policy initiatives regarding illicit narcotics over the past year, the GOL continues to support antinarcotics initiatives both unilaterally and in coordination with international organizations and other countries through training and program participation.

Accomplishments. The Lebanese government, in cooperation with Syrian authorities, continues to suppress the illicit cultivation of opium and cannabis in the Beqa' Valley. The ISF remains dedicated to countering the drug trade. In April, ISF Director General Abdel Karim Ibrahim stressed the need to "combat the plague of drugs and root it out." In pursuit of these ends, the ISF continues to carry out its own crop substitution program.

In addition to its unilateral efforts, the GOL works closely with the United Nations Drug Control Program (UNDCP) to provide substitute crops for local farmers. Over the past six years, the UNDCP has provided about one third of the funds (an estimated \$4.7 million) used in Lebanon's alternative development program. One of the organization's largest programs targets the Baalbak-Hirmil area, where the UNDCP operates six healthcare centers and provides loans and vocational training for farmers. This program is currently operating under temporary emergency funding which will run out after the first quarter of 2001. Farmers in the Beqa' Valley are dissatisfied with crop substitution projects. Given the current agricultural crisis in the country, as development funds fail to appear, more and more impoverished farmers will consider resumption of cultivation of illicit crops as a source of income.

Law Enforcement and Transit Cooperation. Lebanese security services coordinate with their international counterparts and in April 2000, the ISF and the UN Drug Control Program inaugurated a two-week training session of ISF and customs officers to combat drugs and crime in Lebanon. The ISF reports that close governmental cooperation exists with the major transit countries, particularly those in Europe. The Lebanese military also closely coordinates its activities against drug traffickers with its Syrian counterparts. Authorities seized \$260,000 in narcofunds on behalf of INTERPOL's office in Copenhagen.

Domestic Programs/Demand Reduction. Until recently, Lebanese leaders did not perceive illicit drug use as a significant problem. As a result, the only entity in Lebanon that is engaged in treating and rehabilitating drug users is Oum al-Nour (ON), a Beirut-based NGO. According to the Director General of the organization, government officials are slowly realizing the threat posed by domestic consumption of illicit narcotics, and provide 40 to 50 percent of ON's yearly budget of \$666,000. In addition, the organization receives support, mainly political and logistical, from Lebanon's Ministry of Social Affairs. ON estimates that the age of Lebanon's drug addicts has steadily decreased since the end of the country's civil war in 1990, with pre-college and college age youth now being the most vulnerable age group. ON statistics cite that the most commonly abused illicit substance is heroin but

use of "designer" drugs such as methamphetamines and ecstasy is present and possibly rising.

ON operates three drug treatment centers in Lebanon, two for men and one for women, which are capable of providing continuous treatment to 45 patients a year. While the treatment facilities for hard-core addicts is adequate, the Director General of ON admits that the organization lacks out-patient care for those individuals whose addictions do not necessarily warrant hospitalization. ON also engages in drug prevention activities such as distributing antidrug paraphernalia on college campuses and promoting drug awareness among the population.

Law Enforcement Efforts. Between January 1 and November 30, 2000, 686 persons were arrested on charges related to narcotics production, transportation, or distribution. During this same time frame, a total of 1,756 drug-related cases were investigated. Throughout the year, the GOL made several efforts to counter narcotics activities in Lebanon, including:

- In May 2000, the ISF and Lebanese Judiciary Police eradicated about 3,500 square meters of opium in the northern Beqa' Valley. There was one arrest in association with this operation.
- In September 2000, the Lebanese Armed Forces arrested ten members of a money laundering ring a few miles south of Beirut. According to local media accounts of the arrest, the individuals were en route to the `Ayn al Hilweh Palestinian refugee camp in south Lebanon.

Corruption. Corruption remains endemic in Lebanon up to the senior level of government. While low-level corruption in the antinarcotics forces is possible, there is no evidence of wide-scale corruption within the ISF, which appears to be genuinely dedicated to combating the war on drugs.

Agreements and Treaties. Lebanon and the United States have no formal bilateral agreements addressing the issues of narcotics trafficking or extradition. Lebanon is a party to the 1988 UN Drug Convention.

Cultivation and Production. The ISF estimates that approximately 50,000 square meters of land are used for hashish production, and 39,000 square meters are dedicated to poppy production. The ISF's claim to have destroyed all of the illicit poppy crops is likely to be accurate because such cultivation requires irrigation, which is only available in fields that the ISF strictly controls, and 7,250 square meters of hashish. GOL authorities maintain that as a result of destruction of poppy plantations, the production of heroin has been nearly eliminated. The GOL estimates that 15 MT of hashish was produced in 2000. Based on crop quality, one metric ton of green cannabis yields the following quantities: five kilograms of hashish first category (zahra); five kilograms of second category hashish (kabsheh); five kilograms of third category of hashish (bab talet); and two kilograms of hashish seeds. There is no evidence that these cannabis derivatives have a significant effect on the U.S..

Drug Flow/Transit. Transit via traditional smuggling routes has been curtailed by joint Syrian-Lebanese cooperation, but nonetheless continues. The transport of hashish across the Syria-Lebanon border has declined substantially in quantity and value since 1999 due to the dedication of the Lebanese and the Syrian governments to fighting drug trafficking and the continuation of a joint drug eradication program launched in 1992. Drug trafficking along the Israel-Lebanon border has been virtually nonexistent following the Israeli withdrawal from Lebanon in May 2000 and the subsequent near-sealing of the border. Despite the government's efforts, however, the flow of illicit narcotics into and out of Lebanon continues. The end destination for indigenously produced hashish and opium is mainly Europe and the Middle East, however there have been scattered reports that such substances are being smuggled into the United States. The GOL also concedes that small quantities of morphine and heroin are smuggled overland from Turkey for local use.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. In meetings with Lebanese officials, the USG continues to stress the need for diligence in preventing the production and transportation of narcotics, the importance of anticorruption efforts, and the merits of transparency in the banking system. USAID, in close cooperation with the U.S. Embassy in Beirut, continues its four-component program to aid and empower key Lebanese stakeholders, local government, media, and civil society in their efforts to fight corruption. The program aims to increase public awareness of the costs of corruption, strengthen investigative journalism, foster transparency and accountability at the municipal government level, and provide small grants to support anticorruption efforts by local groups. On the supply side, USAID is working with local villages to promote the substitution of illicit crops with legitimate, economically viable ones.

Bilateral Cooperation. In mid-September 2000, the Lebanese judiciary offered to assist the USG in

prosecuting two Lebanese expatriates who were attempting to transport heroin into the U.S. from Lebanon. Cooperation also takes the form of counternarcotics training courses and operational guidance.

The Road Ahead. Given the level of Syrian involvement in Lebanese domestic affairs, success in combating narcotics cultivation and trafficking depends on the will of both the Syrian and Lebanese governments. Syria has demonstrated a continued commitment to antinarcotics actions in Lebanon. Syria is expected to continue this policy. The GOL has not successfully developed a socio-economic strategy to tackle the problem of crop substitution. The government was successful in destroying the illegal crops but has yet to find a suitable crop to replace the lost revenues and sustain the livelihoods of local farmers. The USG will continue to press the GOL to maintain its commitment to combating drug production and transit, implementing its anticorruption policies, and enforcing its new money-laundering statutes.

Lesotho

I. Summary

Lesotho is not a major producer of narcotics or precursor chemicals, nor does it have drug processing laboratories or high levels of money laundering. High quality marijuana is widely cultivated in Lesotho, including in the country's mountains, and is smuggled to major cities in South Africa, but is not smuggled outside the region, with the possible exception of some shipments to Europe. Lesotho suffers from the impact of South Africa-based organized crime, mainly in the areas of livestock and motor vehicle theft and armed robbery, against which most of the country's scarce police resources are deployed. Domestic narcotics abuse is not a serious social problem.

II. Status of Country

Some high quality marijuana grown in the rural, mountainous regions of the country is smuggled to major cities in South Africa, but it does not appear that Lesotho marijuana is shipped to widely outside the region. There is some indication that some marijuana might be shipped to Europe.

Lesotho is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. It has also approved the Southern African Development Community (SADC) Counternarcotics Protocol and the 1931 U.S.-UK Extradition treaty remains in force between the U.S. and Lesotho. In December 2000, Lesotho signed the UN Convention Against Transnational Organized Crime and its protocols.

III. Country Actions Against Drugs in 2000

Lesotho is concerned about the possible impact of organized crime, but its highest priorities in that regard are livestock and motor vehicle theft, both of which were the subject of new laws enacted by Parliament during 2000. The passage of the Prevention of Corruption and Economic Offenses Act in August 1999 seeks to address another high profile problem. The GOL is currently trying to staff the investigating body provided for by that legislation and to further study and adopt the best practices of SADC partners against public corruption.

Lesotho's scarce law enforcement resources have been stretched to the limit dealing with the foregoing problems, and the country has thus far been unable to develop a master plan consistent with the terms of the 1988 UN Drug Convention. A task force working in the Attorney General's Office is evaluating the need for additional laws based on models prepared by UNDCP for implementing the 1988 UN Drug Convention.

IV. U.S. Policy Initiatives and Programs

Lesotho sent four participants to the U.S.-sponsored Regional Law Enforcement Training Needs Assessment Forum that was held in Gaborone from December 11-13. The GOL wants to improve its institutional capacity to fight crime, and is eagerly anticipating the training opportunities that will be afforded when the International Law Enforcement Academy (ILEA) opens in Gaborone, Botswana, currently scheduled for late 2001.

Malawi

I. Summary

The heart of Malawi's drug activity is marijuana. "Malawi Gold" is reputed to be of high quality and is viewed by abusers in the region as very desirable. Realizing the potential for monetary gain through its production, many in Malawi are turning to trafficking as a way to supplement or sustain their families. While Malawi is a major producer of cannabis, it is still only of regional significance. Its production does not significantly affect the U.S. Cocaine and Mandrax are abused in Malawi, but they are yet to equal the drug activity surrounding marijuana. However, Mandrax from India transiting Kenya also transits Malawi on its way to South Africa. Malawi is a party to the 1988 UN Drug Convention.

II. Status of Country

Drug abuse in Malawi is not recognized as a significant problem. Of greater concern are Malawi's porous borders, which contribute to an increasing presence of international drug trafficking. Recent arrests of non-Malawians have pointed out the attractive nature of Malawi as a transit site for traffickers.

III. Country Actions Against Drugs

The GOM is intolerant of illegal drug activity. In 1995, penalties were increased for drug offences from a minimum sentence of ten years imprisonment to a maximum of life imprisonment and/or MK500,000 (Malawi Kwacha). Presently there is a commission reviewing the "Dangerous Drug Act" to ensure it is up to date and comprehensive. The GOM is mindful of the 1988 UN Drug Convention to which it is a party, but limited resources prevent a sustained effort in achieving the goals of the Convention. About ten tons of cannabis were seized/destroyed during the current year, according to local enforcement officials.

As a member of the Southern African Development Community (SADC), Malawi is a signatory of the "SADC Protocol on Combating Illicit Drug Trafficking." In 1997 Malawi signed an agreement continuing into force the 1931 U.S.-UK extradition treaty. Malawi is also a party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. In December 2000, Malawi signed the UN Convention Against Transnational Organized Crime. The UNDCP conducted a training course in 1997, and in 2000, the Dangerous Drug Unit received badly needed vehicles from the UN.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Two senior Malawi Drug Officers attended a two-week regional seminar on drug control organized by DEA in Cape Town, South Africa in 1999.

Mauritius

Mauritius is a minor consumer and transshipment route for heroin from South Asia, primarily to South Africa. A small amount of cannabis, estimated at 75,000 plants maximum, is produced and consumed locally. There are increasing reports that Mauritians are smoking heroin and opium. An Economic Crime and Anti-Money Laundering Law was enacted in July, and the newly created Economic Crime Office is already carrying out investigations into suspected money laundering activity. A new Antidrug Law was passed in December, which reportedly will authorize the freezing of assets used in or derived from narcotics trafficking, as well as facilitate undercover operations.

Mauritius is a signatory to the 1988 UN Convention, but has not ratified it. However, Mauritius is a party to the 1961 UN Single Convention and its 1972 Protocol and to the 1971 UN Convention on Psychotropic Substances. The United States recognizes the 1931 U.S.-UK Extradition Treaty as being in force with Mauritius and has asked the Mauritian Government to affirm that this is the case. In December 2000, Mauritius signed the UN Convention Against Transnational Organized Crime.

A 250-person Antidrug and Smuggling Unit (ADSU) within the National Police Force has primary responsibility for narcotics law investigations and enforcement, although a 37-member "Flying Squad" also carries out enforcement activities. ADSU has implemented a cooperation agreement with its counterpart in India, and continues to develop cooperative arrangements with Southern African Development Community (SADC) partners pursuant to the SADC Protocol on Illicit Drug Trafficking. Relations with the U.S. DEA are good. Destruction of cannabis plants has steadily increased over the last several years. Interestingly, cases begun for possession of heroin have also mounted steadily, but heroin seizures are low in 2000 at about 5.9 kilograms and show no clear trend over the last several years. In 2000, 16.9 kilograms of cannabis were seized, an increase from 3.6 kilograms in 1999. The authorities seized 5.7 grams of hashish in 2000. The authorities destroyed 54,718 cannabis plants in 2000, an increase from 45,444 destroyed in 1999 and 43,294 destroyed in 1998.

The government provides drug education and demand reduction programs and supports similar projects undertaken by NGO's. ADSU has discontinued its preparation of a counternarcotics master plan, based on the argument that narcotics abuse is not a major issue for Mauritius. Corruption is moderate by regional standards, and does not appear to affect counternarcotics efforts.

The United States periodically provides training for Mauritian law enforcement authorities, and two ADSU officers attended a regional training course in 2000.

Morocco

I. Summary

Despite the Government of Morocco's (GOM's) law enforcement efforts, Morocco remains a major producer and exporter of cannabis. While there continues to be no evidence Moroccan cannabis reaches the United States in significant amounts, an estimated 2,000 tons is believed to reach Europe annually. Estimates vary, however, regarding the extent of cannabis cultivation in Morocco. The GOM's Royal Center for Remote Sensing estimates that Morocco's cannabis growing area covers a total of 15,000-20,000 hectares. These numbers are lower than those of the European Union (EU), which estimates the area of cannabis cultivation to be 70,000-75,000 hectares. They are also significantly lower than the numbers the Moroccan government has reported in the past. It is clear the threat posed by Moroccan enforcement efforts has not been sufficient to deter drug trafficking. This reality coupled with GOM budgetary constraints does not bode well for future progress against cannabis cultivation, production, and trafficking in Morocco. Morocco is a party to the 1988 UN Drug Convention.

II. Status of Country

Morocco consistently ranks among the world's largest producers of cannabis, and its cultivation and sale provide the economic base for much of northern Morocco. According to EU law enforcement officials, Moroccan cannabis is typically processed into hashish, resin, or oil and exported to Algeria, Tunisia, and Europe. To date, international money laundering and precursory chemicals are virtually non-factors within the Moroccan drug market.

While cannabis is the traditional drug of choice for Moroccans, there is also a small but growing domestic market for harder drugs such as heroin and cocaine. Newspaper reports on Morocco's role as a major producer and exporter of drugs allege a connection between local drug traffickers and international cartels such as Latin American cocaine rings. However, these allegations have never been substantiated.

III. Country Actions Against Drugs in 2000

Policy Initiatives. In 1996, the GOM established a coordination unit for the fight against narcotics, *Unite de Coordination de Lutte Anti-Drogue* (UCLAD), in an effort to improve coordination between the various law enforcement services involved in the counternarcotics effort. UCLAD is subordinate to the Ministry of Interior. UCLAD officials report they have been instrumental in reworking legislation to increase the maximum allowable prison sentence to 30 years as well as increase fines for narcotics violations to a range of \$20,000-\$80,000. Ten years imprisonment remains the typical sentence for major drug traffickers arrested in Morocco. Coordination efforts among law enforcement agencies remain weak. UCLAD has not yet been able to establish centralized control over all drug-related matters.

The GOM's announced programs would, if fully implemented, bring it into compliance with the 1988 UN Drug Convention's goals and objectives. UCLAD continues to oversee cooperation between law enforcement services which have not traditionally been receptive to the exchange of information. However, UCLAD's centralized control of all drug-related matters is not yet completely realized. European diplomats believe this is partly the result of the lack of resources to fulfill the UCLAD mandate, and note that without increased funding, the aims of the UN Convention will remain unattainable in Morocco.

Accomplishments. In response to recommendations made by the *United Nations' Anti-Drug Commission*, in 1997 the Moroccan Ministry of Health began to assess the drug situation in Morocco. This ministry was responsible for proposing measures designed to address international protocols which led to the creation of the Agency for the Promotion of Economic and Social Development in the Northern Provinces, and eventually to the formation of UCLAD. Morocco is a party to the 1988 UN Drug Convention. Since 1989, Morocco has had an agreement with the United States pledging

joint cooperation in fighting drug trafficking and production. In 1992, the GOM ratified legislation designed to implement the UN Convention. The GOM's estimates of hectares devoted to illicit cannabis cultivation are significantly lower than its estimates for 1999. The GOM attributes this reduction to its efforts to encourage the cultivation of alternate crops in cannabis-growing regions. This has been done primarily through the GOM's promotion of economic growth and foreign investment in the northern region.

Law Enforcement Efforts. As part of a 1992 antidrug initiative launched by the late King Hassan, 10,000 police were detailed to drug interdiction efforts in the north and Rif mountains in 1995. Approximately every six months, the GOM rotates personnel into this region and continues to maintain the same number of checkpoints. Moroccan forces also man observation posts along the Mediterranean coast, and the Navy carries out routine sea patrols and responds to sightings by the observation posts.

Corruption. The GOM does not promote drug production or trafficking as a matter of policy, and in the past it has disputed allegations that government officials in the northern territories are involved in the drug trade. However, in 2000 there were several highly publicized arrests involving drug trafficking by Moroccan officials in the northern region. This may be an indication the GOM is beginning to take a stronger stance against drug-related corruption.

Agreements and Treaties. Since 1993, a bilateral mutual legal assistance treaty has been in force between Morocco and the United States. In 1989, Morocco and the U.S. signed a bilateral narcotics cooperation agreement which calls for cooperation in the fight against illicit production, trafficking, and abuse of narcotics. Morocco also has antinarcotics and/or mutual legal assistance treaties with the EU, France, Spain, Germany, Italy, Portugal, and the UK.

Cultivation/Production. Small farmers cultivate most Moroccan cannabis in the northern or Rif region, although some is also grown in the Souss Valley of the south. The average hectare of cannabis produces two to eight metric tons (mt) of raw plant, and it is estimated cannabis crops yield two billion U.S. dollars in revenues annually. The GOM has stated it is committed to the total eradication of cannabis production, but given the economic dependence on cannabis in Morocco's northern region, eradication is only feasible if accompanied by a highly subsidized crop substitution program.

Drug Flow/Transit. There are reports that Morocco is used as a transshipment point for hard drugs such as heroin and cocaine entering Europe. However, with the exception of the six tons of cocaine which unexpectedly washed up on the Moroccan coast in July 1997, there have been no substantial seizures of hard drugs in Morocco.

Domestic Programs (Demand Reduction). The GOM does not acknowledge a significant hard drug addiction problem and does not actively promote reduction in domestic demand for cannabis. It has established a program to train the staffs of psychiatric hospitals in the treatment of drug addiction.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. Only very small amounts of narcotics produced in or transiting through Morocco reach the United States. U.S. policy goals in Morocco are designed to encourage GOM antinarcotics efforts; to cooperate with Moroccan law enforcement officials in curtailing production and transshipment of drugs; to provide training in law enforcement techniques; to promote GOM adherence to bilateral and international agreement requirements; to provide support for existing Moroccan-European cooperation in this area; and to encourage greater international cooperation to control Moroccan production and export of drugs.

Bilateral Cooperation. Pursuant to the 1989 agreement, the U.S. and Morocco maintain regular contact on antinarcotics issues. The U.S. has provided training and antinarcotics intelligence where applicable, and most recently conducted regional drug interdiction training in Morocco in December 1997.

The Road Ahead. The U.S. will continue to monitor the narcotics situation in Morocco, cooperate with the GOM in its antinarcotics efforts, and, together with the EU, provide law enforcement training, intelligence, and other support where possible.

Mozambique

I. Summary

Mozambique is not a significant producer of narcotics or a significant transshipment country for illegal drugs bound for the United States. Its porous borders, poorly policed seacoast, and inadequately trained and equipped law enforcement agencies, however, make it susceptible to use for production and transshipment of drugs destined primarily for the neighboring South African market. There is also growing concern, supported by anecdotal evidence, that Mozambique is being used as a transit point

for drugs from South Asia heading for European markets. Information on drug use in Mozambique is limited, although available evidence suggests significant use of herbal cannabis (marijuana) and a rise in the consumption of synthetic drugs and heroin among a small urban elite. There are conflicting opinions as to local use of Mandrax (methaqualone) and hashish.

While the Mozambican government recognizes increasing drug use and drug trafficking as a problem, competing demands for scarce funds prevent it from devoting significant resources to the issue. The government has not made these areas priorities for seeking donor funding. Ongoing cooperation programs with UNDCP and bilateral donors are attempting to improve training of drug control officials and provide better interdiction and laboratory equipment. Corruption in the police and judiciary hampers antidrug efforts. Mozambique is a party to the 1998 UN Drug Convention.

II. Status of Country

Mozambique is not a significant producer of illegal drugs, although herbal cannabis (marijuana) is produced throughout the country for local consumption. Laboratories producing Mandrax (methaqualone) illicitly for the South African market were raided and closed down in 1995 and 2000. There is growing concern about Mozambique's role as a drug transit country. Some evidence suggests that Southwest Asian producers ship hashish through Mozambique to Europe and possibly Canada. The same producers are believed to use Mozambique to ship limited quantities of heroin to Europe and South Africa and Mandrax from India to South Africa. Recent evidence suggests a small Lusophone (Portuguese speaking) cocaine trafficking connection, where limited amounts of cocaine from Brazil transit Portugal and Angola or Mozambique on their way to South Africa. Lax enforcement of banking regulations and recent bank scandals have raised the possibility of limited money laundering, but no hard evidence to support this has yet been developed. The country's borders are extremely porous and the various border control agencies do not have adequate resources (training, equipment, or personnel) to fulfill their roles. Mozambique is not a producer of precursor chemicals.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Mozambique's National Assembly passed antinarcotics legislation in March 1997, covering trafficking and consumption of narcotic drugs, psychotropic substances, precursors, and substances of similar effect. The basic legislation created the Central Office for the Prevention and Fight Against Drugs, the chief government planning and coordination body on drug control. Mozambique has no national program for the progressive elimination of its cannabis crop.

In 2000, Mozambique passed new money laundering legislation. Regulation of commercial banks is now the responsibility of the nation's central bank, which lacks the resources to do its job effectively. Recent scandals in which commercial banks have seen large unexplained losses highlight the failure of the regulator. While no evidence of money laundering has been demonstrated, activity in this area is possible.

Accomplishments Mozambique's antidrug accomplishments are limited. Government resources devoted to the effort are meager. No comprehensive studies on drug trafficking, production, or use in Mozambique exist to provide guidelines for developing a master plan. Donor resources to combat illegal drug trafficking and use are also limited. Mozambique is, however, cooperating with the UNDCP through two projects designed to increase law enforcement capacity and border control.

Local law enforcement agents in some provinces have attempted to destroy cannabis crops. Mozambique cooperated with South Africa in 1995 and 2000 in raids on Mandrax factories near Maputo. No other drug production is known. The Mozambican government has also seized assets connected with the production of Mandrax. Distribution of drugs in Mozambique, outside of locally grown herbal cannabis (marijuana), is limited. Local rings distribute heroin and cocaine in Beira and Nampula. Police have arrested ring members and confiscated drugs, but the organizations' operations are believed to continue. The country has not effectively combated drug distribution networks in Maputo.

Law Enforcement Efforts. Mozambique has a dedicated seven-person drug unit operating in Maputo. Formed in 1997 and answering to the Chief of the Criminal Investigation Department of the National Police, according to an August 2000 UNDCP consultant report, the unit "exists virtually in name only." Outside of Maputo, hard pressed local police units have antinarcotics responsibilities. UNDCP is working with the Mozambique police service to establish six dedicated drug units nationwide with a total of 70 officers. The government is currently recruiting officers for the program, to be trained in February 2001 by the Spanish Guardia Civil.

Mozambique's immigration service, a police unit within the Ministry of the Interior, is limited to passing on its suspicions to the police or customs service. The UNDCP report views immigration's role as "not crucial to the drugs law enforcement effort."

Customs officers at Maputo's airport and seaport have received drug interdiction training under a UNDCP program. Maputo-based customs agents are developing an embryonic intelligence system, which includes drug control information, with support from an outside contractor. The entire national customs service is currently being modernized under contract with the British firm Crown Agents, which plans to introduce drug interdiction methods. UNDCP will work with customs agents at land borders as part of a tri-state program with Mozambique, South Africa, and Swaziland. The assistance package is still in the design stages.

Comprehensive drug seizure data for Mozambique is not available. Piecemeal data indicates that Mozambique's largest drug seizures were made in 1995, when the government seized 40,000 kilograms of hashish being offloaded in Maputo port along with 10 kilograms of heroin and 10 kilograms of cocaine. That same year, Mozambican police, with South African law enforcement assistance, raided a Mandrax factory near Maputo. (Eighty percent of world production of Mandrax is consumed in South Africa.)

In 1997, Mozambican police seized 15,000 kilograms of hashish at the Maputo port. The Central Office for the Prevention and Fight Against Drugs reported seizures of: 24 balls of hashish, nine blocks of hashish, 120 pieces of hashish, 135 balls of herbal cannabis (marijuana), 418.9 kilograms of loose herbal cannabis (marijuana), 35 packets of heroin, and 5,080 diazepam capsules in 1998. They also reported the destruction of 34 fields of herbal cannabis (marijuana). In 1998, Nampula police reported seizures of 25 kilograms of cannabis products, eight packages of hashish, and unspecified quantities of heroin and morphine. Recent seizures have been smaller. In Sofala province as of August 2000, police reported 36 seizures of cannabis products. They also reported between 1997 and 1999 seizures of one kilogram of cocaine, nine kilograms of hashish, 44 small wraps of heroin, 25 twists of hashish, and seven small wraps of cocaine. According to the UNDCP report the "small wraps of cocaine" were actually crack cocaine.

In 1999, 13 metric tons of herbal cannabis (marijuana) being grown in plantations in the province of Manica were destroyed. Also in 1999, police seized 135 grams of cocaine from what the Attorney General has described as a Congolese trafficking ring.

As of June 2000, Nampula police reported 16 seizures of cannabis products, with the largest single seizure weighing 20 kilograms. In August 2000, a ship ran aground near Inhambane with cargo that included 15,000 kilograms of hashish in one and two kilogram blocks that washed onto the shore. In the most effective drug control operation of the year, Mozambican customs and police officials combined with their South African counterparts and raided a Mandrax factory near Maputo.

The latest complete figures on drug arrests, convictions, and prosecutions available are for 1998. In that year, 130 people were arrested for trafficking and 39 were convicted. In addition, 1,327 individuals were charged with drug usage. Of these 400 went on trial with 344 being convicted. In his annual report to the National Assembly, the Attorney General stated without providing further details that 82 people were prosecuted for drug trafficking or usage in 1999.

Mozambique's National Assembly approved enabling legislation in March 1997 allowing, among other things, for the confiscation of drug-related assets. The GOM has seized assets connected with the production of Mandrax, but not yet with the actual "trafficking" in any illegal drug.

Corruption. Corruption in all areas is pervasive in Mozambique. Legislation prohibits official corruption, including narcotics specifically, but it is not rigorously enforced. Mozambique has not prosecuted any government officials for corruption relating to the production, processing, or shipment of narcotic and psychotropic drugs or controlled substances, nor has it prosecuted any individual for discouraging the investigation or prosecution of such acts. While allegations have been made in the independent press that senior government and FRELIMO party officials are involved in drug trafficking or in covering up drug trafficking, no hard evidence has yet emerged that supports these accusations.

Agreements and Treaties. Mozambique has no mutual legal assistance, precursor chemical, money laundering, or other counternarcotics agreements with the U.S. Mozambique is a party to the 1988 UN Drug Convention, the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. Mozambique has ratified the Southern African Development Community (SADC) Protocol. It is also a member of the Mutual Accord of Multilateral Assistance

Regarding the Fight Against Crime in Southern Africa (1997). Similarly, Mozambique is a signatory to the 1997 Mutual Accord of Multilateral Assistance Related to Drug Trafficking in Southern Africa (SADC Protocol). In 2000, Mozambique signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. Herbal cannabis (marijuana) is cultivated in Nampula, Cabo Delgado, Tete, Manica, and Sofala provinces. The Mozambican government has no standard methodology for estimating crop size, and no comprehensive estimates for the country exist. Intercropping is reportedly common.

Drug Flow/Transit. Mozambique is not a primary transit country for drugs destined for the United States, and there is little evidence that drugs transiting Mozambique have a significant effect on the United States. However, Mozambique appears to serve as a transit country for hashish, cannabis resin, heroin, and Mandrax originating in Southwest Asia. These drugs arrive in Mozambique by small ship. Mandrax is destined primarily for the South African market. Hashish and heroin are shipped on to Europe, and there is evidence that some hashish may also go to Canada. Arrests in Brazil and Mozambique suggest that cocaine is being shipped via "mules" (i.e., individual paid smugglers) from Brazil to Mozambique and Angola through Lisbon for onward shipment to South Africa. In addition, there is anecdotal evidence that Nigerian cocaine traffickers have targeted Mozambique as a gateway to the South African market. The extent of current trafficking is unknown.

Demand Reduction. The Mozambican government, through the Office for the Control of and Fight Against Drugs, has undertaken drug education programs in local schools in cooperation with bilateral and multilateral donors as part of its demand reduction efforts. The efficacy of the program has not yet been determined. No comprehensive study of Mozambique's drug abuse problem has been conducted. Marijuana has been abused in Mozambique for centuries. The abuse of Mandrax is more common in Maputo and other larger cities, but the drug's high cost places limits on its prevalence. Cocaine and heroin use is low, also because of their high price. There is also use of hashish and synthetic drugs, though experts differ as to their prevalence. Drug abuse treatment options in Mozambique are scarce.

IV. U.S. Policy Initiatives and Programs

Mozambique has no bilateral narcotics agreements with the United States, and there are no plans to negotiate such an agreement. There is little evidence that Mozambique is a source or transshipment country for drugs entering the U.S. market. Narcotics control assistance is part of our general interest in enhancing the abilities of Mozambique's law enforcement agencies. The U.S. has included and will continue to include Mozambican law enforcement officials in regional training programs including those relating to drug control. The regional training budget for Mozambique for FY 1999/2000 was \$260,000. Mozambique has requested assistance in funding equipment for its Police Sciences Academy (ACIPOL) and is a target country for participation in the International Law Enforcement Academy (ILEA) for Africa located in Gaborone, Botswana.

Namibia

I. Summary

Namibia is not a major drug producer or exporter; however, it is increasingly being used as a drug transit country. Namibia has experienced a significant increase in drug-related criminal cases in the past year. The most common illicit drugs are cannabis and methaqualone (Mandrax). Namibia's Drug Law Enforcement Unit (DLEU) cooperates with neighboring countries and recently concluded one of its most significant narcotics cases involving a joint investigation with German law enforcement agencies. Namibian government officials express support for antinarcotics programs. Namibia's DLEU numbers only 45 (when fully staffed) and lacks basic resources, but this is not as a result of a lack of commitment, but rather inadequate resources. Namibia is not a party to the 1988 UN Drug Convention, but is a party to the 1961 UN Single Convention as amended by the 1972 Protocol and the 1971 UN Convention on Psychotropic Substances.

II. Status of Country

Namibian police have discovered isolated cases of cannabis cultivation (grown for personal use), but to date, they have not uncovered any narcotic-producing laboratories. Nigerian traffickers control the couriers transporting cocaine through the country. Namibia is also a transit point for Mandrax, from India to South Africa. Indian and Pakistani groups are involved in trafficking Mandrax. South African traffickers smuggle South African marijuana to Namibia. Police suspect most illicit drugs are smuggled into Namibia by road, hidden in large trucks. While most of the narcotics are destined for the illicit South African market, more and more of the drugs are remaining in Namibia and feeding a growing domestic drug abuse problem. Police sources report significant increases in the use of cocaine, heroin, methaqualone, and LSD. Slightly more than three kilograms of cocaine were seized during the year.

Small quantities of other drugs abused in the region were seized by local enforcement, and while almost a half metric ton of cannabis was seized, this quantity is small by comparison to seizures elsewhere in the region. Marijuana is the drug of choice in Namibia. Mandrax is used to a lesser extent. Namibia is experiencing a growing problem of cocaine and crack cocaine abuse; as noted above, there have been recent seizures of cocaine in Namibia.

Although Namibia is not a party to the 1988 UN Drug Convention, it has been a party to the 1961 UN Single Convention as amended by the 1972 Protocol and the 1971 UN Convention on Psychotropic Substances since March 1998. In December 2000, Namibia signed the UN Convention Against Transnational Organized Crime and its protocols.

The U.S. Government attempted to provide U.S. \$30,000 worth of assistance to Namibia's DLEU at the close of last fiscal year, including sniffer dogs, drug test kits, and computers. Unfortunately, Namibia's Ministry of Justice was unable to approve the required Letter of Agreement in the short amount of time before the end of the fiscal year when the offer had to be withdrawn. The U.S. has not provided any antinarcotics assistance programs to Namibia in the past.

Namibian government officials have expressed concern over a significant increase in drug cases in the past few years and expressed interest in cooperating with international and U.S. law enforcement agencies. Namibia has been independent for only ten years and is in need of training and resources to enhance its prosecution of international narcotic cases.

Nigeria

I. Summary

Nigeria remains a worldwide hub of narcotics trafficking and money laundering activity. Nigerian organized criminal groups dominate the African drug trade, and transport narcotics to markets in the United States, Europe, Asia, and Africa. These criminal organizations occasionally fund their activities via Advance-Fee Fraud, commonly referred to as "419 scams." Years of military rule and an associated economic decline contributed significantly to the expansion of drug trafficking and criminality in Nigeria. The resulting severe unemployment and widespread corruption provided both an incentive and a mechanism for Nigerian criminal groups to capitalize on Nigeria's central location along the major drug routes and access global narcotics markets. Southeast Asian heroin smuggled via Nigeria accounts for a significant portion of the heroin imported into the United States. Nigerian criminal elements operating in South America transship cocaine through Nigeria on to Europe, Asia, and Africa, mainly South Africa. Nigerian-grown marijuana is exported to neighboring West African nations and to Europe, but not in significant quantities to the U.S.

Democratically elected President Obasanjo has publicly denounced this criminal activity and is attempting to improve the image of Nigeria within the international community. A campaign to root out corruption was implemented after President Obasanjo's inauguration in May 1999. The National Assembly passed tough anticorruption legislation that created an anticorruption Commission with broad powers. The Obasanjo Administration also supports the controversial 1990 NDLEA Act Number 33. This law dictates that Nigerians convicted of drug offenses abroad will be arrested upon their deportation back to Nigeria, and, if convicted, be liable for a minimum of 5 years additional imprisonment for harming the reputation of Nigeria. But corruption continues to be a problem, even for the Obasanjo Administration, which has experienced its own corruption scandals.

Over the years, Nigerian law enforcement agencies have had sporadic success in combating the various elements of the drug trade. A decree was implemented in 1995 to specifically combat the money laundering activities of narcotics smugglers. However, there have been few arrests to date and no convictions under that law. In addition, asset forfeiture has not been a successful deterrent against money laundering or drug trafficking activities. Interdiction and enforcement efforts are complicated by an absence of inter-agency cooperation and a serious lack of resources. Years of neglect by successive military regimes left the law enforcement community demoralized and ill-equipped to deal with sophisticated, international criminal networks. This problem is compounded by pervasive corruption throughout all levels of government. There have been a few arrests of major traffickers; however, it can take years for a case to actually come to trial and no mechanism exists to track cases. Cases are often "systematically lost" within Nigeria's judicial system. Nigeria did take a significant step in November of 2000 by transferring into U.S. custody four fugitives wanted on serious narcotics and narcotics-related charges, including two who are on the President's List of Significant Foreign Narcotics Traffickers under the Foreign Narcotics Kingpin Designation Act. Nigeria is a party to the 1988 UN Drug Convention.

II. Status of Country

Nigeria produces no precursor chemicals or drugs that have a significant effect on the United States. However, Nigeria remains a major drug trafficking hub and Nigerian criminal elements operate global criminal-trafficking networks.

The law enforcement agency with primary responsibility for combating narcotics smuggling and drug abuse is the National Drug Law Enforcement Agency (NDLEA). The NDLEA was established in 1989, and works alongside Nigerian Customs, the State Security Service, the National Agency for Food and Drug Administration and Control (NAFDAC), the National Police, and the Nigerian Immigration Service at the various ports of entry. NDLEA's most successful interdictions have taken place at Nigeria's international airports. The agency has had some success apprehending individual low-level drug couriers transiting these airports. Smugglers have been forced to change tactics and ship contraband via Nigeria's five major seaports or across its porous land borders. Interdiction efforts are often hampered by a lack of cooperation among the relevant agencies.

As specialists in moving narcotics and other contraband, Nigerian criminal organizations are heavily involved in corollary criminal activities such as document fabrication, illegal immigration, and financial fraud. Their ties to criminals in the United States, Europe, South America, Asia and South Africa are well documented. Nigerian poly-crime organizations exact significant financial and societal costs, especially among West African nations with limited resources for countering these organizations.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The democratically elected Obasanjo Administration has not introduced any new major legislative or financial initiatives to combat narcotics trafficking, but it did transfer four defendants wanted on narcotics and narcotics-related charges, including two "Narcotics Kingpins", into the custody of U.S. law enforcement officials. Nigeria's counternarcotics policy is based on the National Drug Control Master Plan (NDCMP), in place since 1998/99. This plan assigns responsibilities to the various government ministries and agencies as well as NGOs and other interest groups. The master plan also outlines basic resource requirements and time frames for the completion of objectives. Many of these goals have not yet been met.

Both chambers in the National Assembly have narcotics affairs committees which monitor the performance of the NDLEA and Nigeria's counternarcotics strategy. In addition, a cabinet-level adviser on drugs and financial crimes reports directly to the President. The frequent change of leadership of the NDLEA has impaired the agency's interdiction activities. Over a period of six months there have been three NDLEA Chairmen. The present NDLEA Chief, Alhaji Bello Lafajaji, was appointed in October of 2000, and has declared an all-out offensive against drug trafficking. Chairman Lafajaji has called for the harmonization of Nigeria's narcotics legislation and has sought increased international assistance for the drug agency. The NDLEA has also embarked upon a publicity campaign to combat narcotics trafficking and drug abuse by staging various contraband destruction events around the country.

Accomplishments. A strong indication of the Nigerian government's commitment to cooperating with the U.S. on law enforcement during this past year was the transfer into U.S. custody of four fugitives wanted on serious narcotics and narcotics-related charges. In another accomplishment, a Nigerian General was reportedly court-martialed, stripped of his rank, dismissed from the Army and remains in the custody of military officials after being implicated in a heroin smuggling case, while he was stationed in Pakistan. According to the NDLEA, 2528 drug traffickers were arrested during the 2,000 and 264,292 kilograms of cannabis destroyed or confiscated, 50 kilograms of cocaine and 56 kilograms of heroin were seized. The NDLEA is also claiming to have destroyed more than a million kilos of cannabis in eradication operations. The exact seizure figures might differ sharply from these estimates obtained from NDLEA.

Law Enforcement Efforts. Nigerian counternarcotics efforts primarily focus on the interdiction of couriers transiting Nigeria's airports as well as a public campaign focused on destroying plots of cultivated marijuana throughout the country. Unfortunately, major narcotics-smugglers and their networks continue to escape arrest and prosecution. Law enforcement agencies do not possess the necessary resources or capabilities to combat these well-organized, international networks. Attempts by NDLEA to arrest and prosecute major traffickers and other associates often fail in Nigeria's enfeebled judicial system, which is subject to intimidation and corruption. Asset seizures from narcotics traffickers and money launderers, while permitted under Nigerian law, have never really systematically been utilized as an enforcement tool, but some convicted traffickers have had their assets seized over the years. The numbers of traffickers thus penalized are small, however.

Corruption. Pervasive corruption is a problem throughout Nigerian society. Estimated unemployment is over 25 percent. Civil servants' salaries are low. In addition salaries are frequently paid months late, compounding the corruption problem. After its inauguration, the Obasanjo Administration embarked on a public anticorruption crusade. Legislation was enacted and an anticorruption commission formed. A commission was also established to review government contracts awarded by past administrations. Unfortunately, the Obasanjo Administration has made little progress towards transparency and openness in its contracting and decision-making process. The administration itself has been plagued with accusations of corruption, exacerbated by political in-fighting between the President and the National Assembly. To date, there have not been any dismissals of high-level administration officials for corruption to add credence to the anticorruption efforts. There was, however, a recent case in which several Nigerian Customs officials involved in an attempt to smuggle heroin to the U.S. were apprehended and now face trial for their crime. Corruption remains a significant obstacle to counternarcotics efforts, especially in the judicial process. While the NDLEA has attempted to purge its ranks of officers suspected of corrupt practices, a fear of corruption hampers inter-agency cooperation as agencies are often distrustful and unwilling to share information.

Agreements and Treaties. Nigeria is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. The 1931 U.S.-UK Extradition Treaty, which was made applicable to Nigeria in 1935, is the legal basis for pending U.S. extradition requests, including five on narcotics or narcotics-related money laundering charges. Nigeria is a party to the World Customs Organization's Nairobi Convention, Annex on Assistance in Narcotics Cases.

Cultivation and Production. Cannabis remains the only illicit drug that is produced in any quantity throughout Nigeria. This drug is produced in all 36 states. Major cultivation occurs in central and northern Nigeria in addition to the Delta and Ondo states in the south. Marijuana, or "Indian Hemp" as it is locally known, is sold in Nigeria and exported throughout West Africa and into Europe. To date, there is no evidence of significant marijuana imports from Nigeria into the United States. The NDLEA has been engaged in an active eradication campaign. The NDLEA claims cannabis seizures in excess of 264 MT and eradication of cannabis plants in the field in excess of 1000 MT. this year. Recently, the NDLEA has highlighted this eradication campaign by inviting dignitaries to the various destruction ceremonies around the country and releasing press reports highlighting their eradication activities.

Drug Flow/Transit. Nigeria is a major staging point for Southeast and Southwest Asian heroin being smuggled to Europe and the United States and for South American cocaine being transported to Europe. While Nigeria remains Africa's drug transport hub, there are indications that the preferred methods of transshipment have changed. Improvement of the overall security posture at Murtala Mohammed International Airport has forced drug traffickers to ship by sea from Nigerian seaports, concealing large quantities of contraband in shipping containers.

Demand Reduction. Local production and use of marijuana has been a problem in Nigeria for some time; however, according to the NDLEA and NGOs, the abuse of harder drugs (e.g., cocaine, heroin) is on the rise. Heroin and cocaine are readily available in many of Nigeria's larger cities. Law enforcement officials admit that Nigeria remains a major narcotics transshipment point, but some officials deny that domestic drug abuse is on the rise. U.S. officials and training instructors find that many Nigerian officials do not understand that by serving as a transit point, Nigeria may itself begin to suffer significant drug abuse problems. The NDLEA continues to expand its antidrug clubs at Nigerian universities and distribute antidrug literature. The NDLEA also has plans to produce a teacher's manual for the primary and secondary school levels, which will offer guidance on teaching students about drug abuse.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S.-Nigerian counternarcotics cooperation focuses on stopping individual couriers and on professionalizing the NDLEA and other law enforcement agencies. U.S. training and material assistance has continued, with the NDLEA the primary target for assistance. The U.S. DEA office deals with a small group of NDLEA representatives to lessen the chance of compromise by corrupt individuals. USG working-level representatives enjoy good access to their counterparts and there is an evident desire on both sides to strengthen these relationships. The new NDLEA Chairman appears committed to meeting agency goals and improving the morale of NDLEA officers. Police reform has been under discussion in Nigeria. Nigerian Commissions have reviewed plans for reform and assistance agencies have prepared their own suggestions for ways to proceed, but the task will be formidable as the police lack so much in the way of equipment, and their morale has suffered over the years as the situation deteriorated. Salaries are low, and are frequently paid months late, for example.

Bilateral Accomplishments. The turning over of four fugitives wanted on narcotics and narcotics-related charges in the United States was a key bilateral accomplishment of 2000. Cooperation between Nigerian and U.S. law enforcement agencies continues to increase, although much work remains to be done. The U.S. DEA office in Nigeria continues to work with the NDLEA on expanding their relationship. In October 2000, U.S. Customs conducted a State Department-funded Contraband Enforcement Team training program in Lagos for NDLEA officers.

The Road Ahead. The U.S.-Nigerian relationship has improved significantly with the reintroduction of democratic government in Nigeria. President Clinton's August 2000 visit to Nigeria highlighted areas of significant progress, but also illustrated that much more remains to be done. As noted elsewhere in this report, the narcotics and crime problems in Nigeria are deeply rooted in Nigeria's present governmental system, and in Nigerian society. It will require courageous political will for any Nigerian government to confront these difficult issues and bring about meaningful change.

The U.S. government is working to aid Nigeria in its counternarcotics efforts. One area of prime concern is the judiciary. Law enforcement efforts are often stymied by the slow pace of the judicial system, which can be attributed to both intimidation and corruption of the judiciary by criminal organizations. The U.S. Agency for International Development has implemented a "Rule of Law" program with the Nigerian government to help strengthen and professionalize the judiciary. In addition, within the judicial system, the Nigerian government needs to establish a reliable extradition process that will allow extradition requests to be heard expeditiously and fairly. Many U.S. extradition requests for narcotics traffickers have been outstanding for years.

The U.S. Government is also concerned about the continued situation of extremely low salaries for police officers and other law enforcement and justice personnel, as well as examples of misallocation of government resources while law enforcement needs go unmet. The government of Nigeria needs to demonstrate a commitment of its own resources to the fight against narcotics trafficking and transnational crime in order to strengthen its case for additional foreign donor assistance.

The U.S. government provided training for a Contraband Enforcement Team at Nigeria's International Airport. Hopefully, this team will be utilized effectively, and also serve as a model for inter-agency cooperation at other ports of entry. Since narcotics-trafficking and financial crimes are closely linked, the government of Nigeria must also strengthen and utilize its asset forfeiture legislation, already in place. In addition, Nigeria must work to bring its money-laundering laws into compliance with the FATF 40 recommendations and work to regulate its banking industry.

The U.S. government will continue to actively engage Nigeria on the issue of counternarcotics and money laundering. There have been incremental successes, but long-term progress will only come about through the continuation of a long-term dialogue and assistance, and a willingness on the part of Nigeria's government to confront difficult issues. The underlying institutional and societal factors that contribute to narcotics trafficking and money laundering activities in Nigeria are deep-seated and require comprehensive, long-term solutions.

Saudi Arabia

I. Summary

As a party to the 1988 UN Drug Convention, the Government of Saudi Arabia continues to place a high priority on its efforts to eliminate narcotics trafficking and abuse. Narcotics-related crimes are punished harshly: under the Saudi interpretation of Islamic law, narcotics trafficking is a capital offense, enforced against Saudis and foreigners alike. Thirty-five convicted traffickers were executed in 2000. Saudi Arabia relies on a network of overseas drug enforcement liaison offices and on state-of-the-art detection and training programs to combat drug trafficking.

While Saudi officials are determined in their counternarcotics efforts, drug trafficking and abuse appear to be growing problems (albeit minor ones by comparison to many western nations). Because the Saudi Government provides no statistics on drug consumption, interdiction, and trafficking, it has been impossible to verify this assessment. Anecdotal evidence suggests that Saudi Arabia's relatively affluent population, large numbers of unemployed youth, and the high profit margins on narcotics smuggled to Saudi Arabia make the country an attractive target for drug traffickers and dealers.

II. Status of Country

Saudi Arabia has no significant drug production and, in keeping with its conservative Islamic values,

places a high priority on fighting narcotics abuse and trafficking. The Government undertakes widespread counternarcotics educational campaigns in the media, health institutes, and schools. The Government has imposed the death penalty for drug smuggling since 1988. Due to these factors, drug abuse and trafficking do not pose major social or law enforcement problems. However, Saudi officials privately acknowledge that illegal drug use is on the rise.

The Saudi Government aims its efforts to treat drug abuse solely at Saudi nationals, who are treated at one of the nation's four drug treatment centers. There are no separate facilities for Saudi women, and expatriate substance abusers are jailed and summarily deported. Health officials confirm anecdotal reports of a general increase in substance abuse, but note that most addictions are not severe due to the scarcity of available narcotics and their diluted form. Heroin and hashish are the most heavily-consumed substances, but Saudi officials report that cocaine and amphetamines are also in demand. They state that some Saudi youths engage in paint and glue inhalation.

III. Country Action Against Drugs in 2000

Policy Initiatives. The Ministry of Interior is Saudi Arabia's lead agency for drug interdiction, with over 20 overseas offices in countries identified as representing a trafficking threat. The Saudi Government also continues to play a leading role in efforts to enhance intelligence sharing among the six nations of the Gulf Cooperation Council. Saudi Arabia is a member of the UNDCP, and its drug enforcement personnel participate regularly in international training programs.

Accomplishments/Law Enforcement Efforts. Illegal narcotics are not cultivated or produced in Saudi Arabia. Drug seizures, arrests, prosecutions and consumption trends are not matters of public record, although local newspapers occasionally report drug seizures by Saudi officials. Saudi interdiction efforts tend to focus more on individual carriers than on operations designed to identify drug distributors and regional networks. With the help and advice of U.S. Customs advisors, Saudi Customs agents employ advanced detection techniques which have yielded an increase in drug seizures (predominantly heroin, cocaine, and hashish) at some points of entry.

Corruption. We have no evidence of involvement by Saudi Government officials in the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances.

Agreements and Treaties. There are no extradition or mutual legal assistance agreements in force between the U.S. and Saudi Arabia. Saudi Arabia is a party to the 1988 UN Drug Convention. In December 2000, Saudi Arabia signed the UN Convention Against Transnational Organized Crime.

Cultivation/Production. Cultivation and production of narcotics in Saudi Arabia is negligible.

Drug Flow/Transit. Saudi Arabia is not a major transshipment point. Due in part to new detection techniques employed at major points of entry, seizures of narcotics coming primarily from Pakistan, Afghanistan, Nigeria, and Turkey have increased.

Domestic Programs (Demand Reduction). The Saudi Government sponsors widespread media campaigns against substance abuse, as well as drug education programs directed at school-age children, health care providers, and mothers. Saudi officials believe that public and widely publicized executions of convicted traffickers serve as a deterrent to narcotics trafficking and abuse. The country's influential religious establishment actively preaches against narcotics use and Government treatment facilities provide free counseling to male Saudi addicts.

IV. U.S. Policy Initiatives and Programs

Strategies. The U.S. seeks to enhance bilateral and multilateral cooperation with the Saudi Government. The Saudi Ministry of Interior is reviewing a non-binding Memorandum of Understanding, which the Department of State proposed in May 1996. The MOU calls for increased bilateral cooperation in information sharing, legal assistance, training, and demand reduction.

Bilateral Cooperation. Saudi officials actively seek and participate in U.S.-sponsored training programs and are receptive to enhanced official contacts with DEA.

The Road Ahead. The U.S. will arrange for regular visits of regional DEA officers to Saudi Arabia. It will also try to work with Saudi officials to plan how to cooperate on the Saudi offer to host a regional DEA-led narcotics training seminar for representatives of Arab League member states.

Senegal

I. Summary

Trafficking of all types of drugs, primarily heroin, cocaine, and synthetics, exists in Senegal. Additionally, the Senegalese authorities state that precursor chemicals, which are used for the further fabrication of drugs, are being intercepted. Undetermined quantities of marijuana are grown throughout Senegal, primarily in the southern region (Casamance), but there is no evidence of shipment to the U.S. in significant quantities. Professional drug networks, many of which are operated by foreigners (e.g., Nigerians), are well established in the marijuana trade. The port of Dakar and the international airport of Dakar are the two principal points of entry/exit for drugs in Senegal. Senegalese authorities state that because there is not a direct flight coming from South America, cocaine is transshipped into Cape Verde. Nigerians are the biggest factor in the drug trade, though some Senegalese and Gambians are also involved. Senegal is a party to the 1988 UN Drug Convention. Drug consumption can be found in all age groups and professions in Senegal. Marijuana is the primary drug of choice, followed by synthetic drugs. The Senegalese state that these drugs are abused by persons primarily in the age group of 15 to 23 years, of which 98 percent of users are male. Sixty-five percent of this group has a junior high school education. The use of solvents is also found among youth, primarily between the ages of 12 and 19 years. These abusers are primarily "street kids." Some of the upper and middle class segments of society also use heroin and cocaine.

II. Country Actions Against Drugs in 2000

In 1997, Senegal instituted a national plan of action against drug abuse and the trafficking of drugs, but the funds to implement this plan have not yet been identified. Senegal is a poor country with many competing demands. Senegal's national plan is multidisciplinary and aims to:

- control the cultivation, production, and traffic of drugs
- inform the population of the dangers of drug use
- develop a program to reintroduce drug addicts to society

Also, in 1997, an inter-ministerial committee to fight against drugs was established. The purpose of this committee has been to elaborate and coordinate the national political fight against drugs. This year the committee approved and carried out a drug cultivation reduction program, implemented by a non-governmental organization in the Casamance region. The first phase of the program involved a campaign to inform the public that more money could be earned for the farmers of marijuana if the land was used for other purposes. The campaign also argued that drugs were harmful to the environment and personal health, and that drugs were degrading the economy. Village committees have been established to pass on the above information in an attempt to sensitize people to the problem of drugs. The second phase of the program is to begin in 2001 where the village committees will suggest substitute crops to replace the marijuana presently being cultivated.

Cannabis is by far and away the largest drug among seizures by Senegalese enforcement officers. Seizures of other drugs are so small relative to suspected trafficking in them as to suggest that enforcement is only getting a very small percentage of those drugs transiting Senegal. In 1999, the last year for which statistics are available, the authorities destroyed 42,000 kilograms of cannabis and seized 7,165 kilograms and 830 grams of marijuana leaf. They also seized 71 grams (382 doses) of heroin, 14 grams of marijuana resin, and 4,737 units of synthetic drugs. They made 2,674 drug-related arrests.

Senegal is a party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. Senegal signed the UN Convention Against Transnational Organized Crime and its protocols in December 2000.

South Africa

I. Summary

South Africa is committed to fighting domestic and international trafficking in illicit narcotic drugs, but reliable evidence suggests that the country continues to be an important transit area for cocaine (from South America) and heroin (from the Far East), primarily destined for domestic Southern African or European markets. In addition to being a large producer of cannabis, most of which is consumed in the Southern African region, South Africa may be the world's largest consumer of Mandrax (methaqualone). "Mandrax," a variant of methaqualone, is the drug of abuse of choice in South Africa, and its smuggling, primarily from India, but also from China and other sources, is the single most

important money-earner for indigenous South African organized crime. By 1997, a study conducted by the South African Police Service found 192 indigenous organized criminal gangs active in all of South Africa. Ninety-two of these gangs were primarily focused on the international smuggling of narcotics, with Mandrax the leading drug.

South Africa is a party to the 1988 UN Drug Convention. In 1999, South Africa and the U.S. signed a bilateral extradition treaty and a mutual legal assistance treaty. After much post-enactment tinkering by the South African Parliament, the Prevention of Organized Crime Act, particularly the asset forfeiture section, seems to have become a useful tool for law enforcement. In September 2000, the cabinet agreed to the text of an eagerly anticipated bill that will legally mandate reporting and record-keeping on certain financial transactions and that will create a Financial Intelligence Center (FIC). Predicting parliamentary timetables for enactment of bills is inexact at best, but there appears to be sufficient interest in the FIC legislation to allow passage by early 2001.

II. Status of Country

South Africa's transition to democracy and its integration into the world economy have been accompanied by the increased use of its territory for the transshipment of contraband of all types, including narcotics. Outdated regulatory and legislative infrastructures and a criminal justice system that is stretched just to deal with common "street crime" make South Africa a tempting target for international organized crime groups of all types. With assistance from the U.S. and other donors, South Africa is making slow progress in crafting an appropriate response to this situation.

South Africa has, for some time, been the origin, the transit point or the terminus, of many major smuggling routes; this was particularly so during the apartheid period. Additionally, South Africa has the most developed transportation, communications, and banking infrastructure in Sub-Saharan Africa. The country's modern international telecommunications systems (particularly wireless telephones), its direct air links with South America and Europe, and its permeable land borders provide opportunities for regional and international trafficking in all forms of contraband, including narcotics. Narcotics trafficking is very profitable for organized crime syndicates, and they have become heavily involved in stealing vehicles and trading them across South Africa's land borders for narcotics.

South Africa continues to rank among the world's largest producers of cannabis, although this production does not have a significant effect on the U.S. because the cannabis produced in South Africa is either consumed locally or exported to countries other than the U.S. Smuggling of cannabis to Europe continues to increase. While in 1999 there were seizures in the U.S. of cannabis originating in the Southern African region (Swaziland), none were reported in 2000.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Combating the use of and the trafficking in illicit narcotics is an important component of the anticrime agenda of the South African Government (SAG). As a practical matter, however, the SAG tends to target its limited anticrime resources on serious, violent domestic crime. (NB: South Africa has one of the world's highest murder and rape rates.) South Africa's porous borders are crossed daily by criminals trafficking in many forms of contraband, including, but certainly not limited to: illicit narcotics, stolen cars, illegal firearms, diamonds, and precious metals. The cabinet's interagency "Justice Cluster" works to help coordinate the law enforcement and criminal justice systems' response to these challenges. The Narcotics Bureau (SANAB) continues to suffer from a lack of training, resources, and qualified personnel.

Accomplishments. South Africa's 1998 Prevention of Organized Crime Act, which outlawed certain criminal conspiracies and put teeth into previous legislation outlawing money laundering, fared a bit better in the courts in 2000. The law was used more against narcotics offenses, after certain sections were re-drafted by Parliament to address drafting/conceptual inadequacies that were exposed in initial court cases. In a related development, to improve South Africa's enforcement effort against money laundering, in September 2000, the cabinet completed its deliberations on the text of another critical anti-money laundering bill that would legally mandate record keeping and disclosure of certain financial transactions. The legislation also would create a South African Financial Intelligence Center to receive financial information and statistics and analyze them for possible money laundering activity. It should be noted that the FIC bill is not targeted solely at drug traffickers, as money laundering is associated in South Africa with many forms of organized crime. Nevertheless, the FIC law should provide one more tool for identifying and building strong cases against drug trafficking organizations and drug-related money laundering operations.

Law Enforcement Efforts. SANAB and South African Customs continue to make seizures of cocaine

arriving in South Africa at international airports. A cocaine smuggling ring among the employees of South Africa's national airline was uncovered in 2000. The aerial wing of the police carries out an airborne cannabis eradication program domestically and also offers cannabis eradication to regional states. The effectiveness of these operations is often hampered by lack of operational funds. Increased training of police and more units targeted on drug enforcement have led to more seizures of drugs destined for export. Crime statistics for the first five months of 2000, published by the South African National Police, indicate an increase in narcotics crime to levels not seen since 1995. However, the Police caution that narcotics crime, unlike crimes against persons and property, requires police action for detection. Thus, apparently increasing rates of narcotics-related crime could just reflect enhanced enforcement, as opposed to more criminal activity.

A discussion on drug control in South Africa is incomplete without consideration of South Africa's law enforcement issues. While individual efforts on the ground are applauded, the internal problems in law enforcement that exist across the board impede both anticrime and counternarcotics efforts. South Africa's counternarcotics situation is further complicated by its reliance on less effective neighbors to interdict contraband headed its way. Zambia, Mozambique, and Swaziland provided the most popular transit routes for the smuggling of Mandrax into South Africa. Lingering racism and inappropriate use of violence, especially by white officers against black suspects, and a view among whites that black criminal violence against them is underplayed in black-majority South Africa also limits police-civilian cooperation against crime.

Chapter Five of the Prevention Against Organized Crime Act sets out procedures for the confiscation of the proceeds and instrumentalities of all types of crime. The Act provides for both civil and criminal forfeiture. Criminal forfeiture is limited to illicit proceeds, while civil forfeiture can also be used against "facilitating" property. Asset forfeiture proceedings are instituted, and the management of seized assets is coordinated by the Asset Forfeiture Unit. To date, several houses, luxury vehicles, and furniture worth millions of Rand have been forfeited under civil forfeiture procedures. Criminal investigations are ongoing against persons from whom the assets were confiscated.

The revenue service has reorganized the South African Customs Service to make it more effective in interdicting and investigating smuggling of all types, including narcotics trafficking. South African Customs continues to be active in investigating the use of the mails for international criminal activities. Recently, customs officials at Port Elizabeth (a locale where South African Customs officials who had received U.S. contraband enforcement training are posted) spotted a suspicious container. A special investigative unit was alerted and a large shipment of Mandrax was discovered when the container was opened at the Johannesburg customs depot.

Corruption. Officials accused of corruption can be prosecuted under the 1992 Corruption Act. Accusations of widespread police corruption are frequent, but the experience of enforcement officers working from the U.S. Embassy in South Africa is that many of the failures and lapses by the police can be attributed as much to a lack of training and resources as to corruption. Credible evidence of narcotics-related corruption among senior South African law enforcement officials has not been brought to light. Nevertheless, some low level corruption—and much mal/misfeasance—among border control officials does appear to contribute to the permeability of South Africa's borders.

Agreements and Treaties. South Africa is a signatory to the 1996 Southern African Development Community (SADC) "Protocol on Combating Illicit Drug Trafficking." South Africa is also a party to the 1988 UN Drug Convention.

In September 1999, the U.S. and South Africa signed a bilateral mutual legal assistance treaty and a new extradition treaty to replace the existing 1947 extradition treaty. Instruments of ratification are expected to be exchanged in 2001. In August 2000, the U.S. and South Africa also signed a customs mutual assistance agreement and a Letter of Agreement on Anticrime and Counternarcotics Assistance. The Letter of Agreement provides for U.S. training and commodity assistance to several South African law enforcement agencies. In December 2000, South Africa signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. Cannabis or "dagga" grows wild in southern Africa and is a traditional crop grown in many rural areas of South Africa, particularly the Eastern Cape and Kwa-Zulu Natal provinces. It also grows wild and is cultivated in neighboring Swaziland. It is possible to have three cannabis crops a year in some areas of Southern Africa. Most of South African-produced cannabis is consumed domestically in South Africa or in the Southern African region. However, increasing amounts are being seized in Continental Europe and the UK. In 1999, a 20 kilogram shipment of Swazi cannabis was seized by the U.S. DEA in the United States, but the USG is unaware of Southern African cannabis reaching the U.S. in 2000. Mandrax is also produced in South Africa for domestic

consumption.

Drug Flow/Transit. Cocaine, in significant amounts, reaches South Africa from South America. Previously, Brazil was the most popular departure country. Miami may have replaced Rio de Janeiro in 1999 as the transfer point of choice for traffickers sending cocaine to South Africa from South America. The bulk of the cocaine entering South Africa probably is destined for re-export to Europe. Nevertheless, South African consumption of cocaine, both powder and "crack" (crystalline) apparently is increasing. Mindful of the U.S. struggle with its crack epidemic of the mid-to-late 1980's, South African authorities are concerned a similar crisis may occur in South Africa. Many illegal Nigerian residents in South Africa are involved in organized criminal elements, specializing in the smuggling of crack cocaine to South Africa. Nigerian gangs have also been found using South Africa as a base of operations for worldwide drug smuggling and so-called "419 Fraud." (419 Fraud is an international confidence racket, in which primarily Nigerian criminals seek access to foreign bank accounts for illicit transactions, which end up victimizing their foreign targets.) According to South Africa's Institute for Security Studies, of some 100,000 estimated Nigerian residents of South Africa, only 700 are legally permitted residents. Abuse of crack is growing faster than abuse of any other drug in South Africa; seizures have grown from 78 kilograms in 1993 to 636 kilograms in 1998. In the first six months of 2000, the South African Narcotics Bureau seized apx. 286 kilograms. of cocaine. This increase in crack seizures occurred even though its street price puts it out of reach for much of the population.

Heroin is smuggled into South Africa from Southwest and Southeast Asia; much of it is destined for onward shipment to Europe and, possibly, some small amount to the U.S. Heroin consumption among South African youth and some young people in other countries has also increased, particularly with the advent of smokable heroin. According to U.S. DEA and local NGOs monitoring epidemiological data in South Africa, South Africa has experienced a 40 percent increase in intravenous heroin users over the last three years, raising further concerns about the increased spread of HIV/AIDS. Mandrax, imported from India or locally produced in South Africa, is a popular illicit drug among segments of the South African populace. The amount of drugs transiting South Africa to the U.S. is probably minimal.

Domestic Programs. South Africa has had a long history of Mandrax and dagga (cannabis) abuse; drug counselors have noted increases in the number of patients seeking treatment for crack addiction in the past two to five years. General budgetary constraints have meant that SAG subsidies for non-government drug rehabilitation agencies have been cut the last two to three years. There are many people seeking treatment who are unable to register with any program, and for those who manage to enter a rehabilitation program, available services are constrained by lack of resources.

IV. U.S. Policy Initiatives and Programs.

Policy Initiatives. Crime is an important issue in South Africa. While much criminal activity is restricted in its impact to South Africa, an important share of all crime has an impact on the region, and on the rest of the world. U.S. law enforcement officers from the DEA, FBI, U.S. Customs, and Secret Service cooperate successfully with their South African counterparts. The U.S. also urges SAG to propose legislation that will strengthen South Africa's legal system and provide a legal framework for prosecuting more sophisticated organized criminal activities, including drug trafficking. In support of these objectives, the U.S. helped train a new, elite South African enforcement force called the "Scorpions." This unit targets organized crime and high-profile crime of all sorts.

Bilateral Cooperation. In July 2000, the U.S.-South Africa Bi-National Commission (BNC) Justice and Anticrime Cooperation Committee (JACC) held its second meeting. In the last two years the JACC has become an important focus of U.S.-South African anticrime and counternarcotics cooperation efforts. There has been excellent cooperation between SANAB and the DEA. Likewise, the relationship between U.S. Customs and its South African counterpart has been quite productive. Customs officials were recently in South Africa and several near-by countries to assess conditions at land border crossings and to make recommendations for improvements. The U.S.' long-term anticrime and counternarcotics strategy includes a program of continued assistance to and cooperation with South African law enforcement and criminal justice authorities.

The Road Ahead. The commitment to create an effective legal and regulatory infrastructure to combat drug trafficking, and all other forms of organized crime, exist both in SAG and in the SAG parliament, however, the process of implementing change is likely to be slow and uneven for a while.

Swaziland

I. Summary

International trafficking continues to grow in Swaziland. Local production consists of a large marijuana cash crop, some of which is consumed locally and some of which is exported, primarily to South Africa but also to Europe and, to a lesser extent, the U.S. Trafficking has become the major threat as multiple factors make Swaziland attractive as a regional base or transshipment point for international trafficking organizations. Its proximity to South Africa (the region's richest market for illicit narcotics), a lack of effective antidrug legislation, limited enforcement resources, a relatively open society, and a developed economic infrastructure all contribute to Swaziland being a hub. The 20-person antinarcotics unit within the Royal Swaziland Police has benefited from training opportunities and has proved increasingly successful at interdicting shipments. The unit's effectiveness, however, is limited by a lack of key resources and legislation to convict those arrested, as well as rumored corruption among related entities. Swaziland's strength is its high level of awareness of the potential problem, which has led to regional cooperation. This collaboration includes the arrest of a reputed drug kingpin, Mashsha Dlamini, who is presently awaiting trial, and the spraying of illicit marijuana cultivation, as a result of South African and USG assistance. The USG assisted in the aerial eradication effort by providing South Africa with access to a sprayer. The herbicide the South African government used to conduct the aerial eradication has not been shown to harm the environment. In other developments, the Royal Swaziland Police began to run antidrug seminars in high schools throughout the country. Swaziland is party to the 1988 UN Drug Convention.

II. Status of Country

Local official concern is growing, as anecdotal evidence and newspaper accounts point toward rapidly increasing narcotics trafficking in Swaziland. South African Narcotics Bureau (SANAB) personnel believe that bulk shipments of narcotics are being sent to Swaziland, where the narcotics are cut for onward shipment to South Africa, Europe, and to a lesser extent, the U.S. There is also reported use of harder drugs, including crack cocaine. Nigerian traffickers smuggle cocaine through Swaziland en route to South Africa.

Local narcotic drug cultivation is still largely limited to marijuana, with the crop considered by police to be "extensive." In addition to being consumed locally, marijuana is shipped to South Africa with some onward shipment, mostly to Europe but also to a lesser extent the United States. There is no evidence that Swazi marijuana reaches the U.S. in quantities sufficient to have a significant impact on the U.S. Local consumption consists of the local marijuana crop, plus small amounts of Mandrax, cocaine, and heroin. The largest metropolitan city, Manzini, is the center of illegal drug activity in Swaziland.

Swaziland's narcotics law dates from the 1920s. It does not address conspiracy, asset seizure, or money laundering; however these areas are expected to be addressed when the Swazi Parliament meets in the first quarter of 2001. At that time, the Swazi Parliament will review and vote to pass the new Money Laundering Bill and new antinarcotics legislation. Antinarcotics legislation is still in a draft form and a U.S. Department of Justice consultant will provide additional assistance with drafting of the law before it goes to Parliament. Swaziland has an extradition treaty with South Africa, as well as a protocol and mutual understanding on narcotics with Commonwealth Countries. Swaziland signed the UN Convention Against Transnational Organized Crime in December 2000.

The police have a 20-person narcotics unit. It lacks vehicles, detection equipment, narcotics dogs, and office automation equipment, which significantly hinder its effectiveness. The unit's level of training, while increasing, remains limited. Additionally, it is sometimes called upon to perform routine, non-narcotics related police work, which detracts from its focus.

There are rumors of corruption amongst police, customs and other government officials. In 2000, a senior police officer was arrested, charged and convicted, and sentenced to a prison term of seven years without the option of a fine. Although corruption has been characterized as "mild" by expatriate police officials, it is thought to affect interdiction, arrests and convictions.

Swaziland is not considered a regional financial center, however it is a short distance from major South African cities, and is a different jurisdiction, so there is the potential for money laundering.

III. Country Action Against Drugs

Swaziland is a party to the SADC protocol on combating illicit drug trafficking. Swaziland has entered into agreements on narcotics control with Mozambique, and with South Africa and the UNDCP on a common project: "Capacity building against drug trafficking and organized crime in Southern Africa." In 2000, the Royal Swaziland Police, in conjunction with high school teachers, introduced a school program called "Youth Programs against Drugs." At least 6 seminars in schools were conducted during the year.

As indicated above, a senior police officer involved in the sale of marijuana was arrested, charged, convicted and sentenced to a seven-year prison term. Also one of the most feared drug traffickers, Mashsha Dlamini, is currently in custody after he was found in possession with 2908 kilograms of

marijuana.

In 2000, the Royal Swaziland Police conducted about 26 hand spraying sessions to destroy about 113 hectares of marijuana. The Drug Unit, using sniffing dogs from South Africa, was able to confiscate a large quantity of cannabis hidden in trucks and ready to be exported overseas. Regional cooperation continues with South African antidrug officials, including the sharing of information. Swaziland has strengthened this cooperation through its tenure as chair of the Southern African Regional Police Chiefs Cooperation Organization (SARPCO). Swaziland officials welcome regional initiatives and cooperation. Both Swaziland and South Africa support UK-provided training and U.S. assistance.

IV. U.S. Policy Initiatives and Programs

The USG supports Swazi efforts in drug interdiction and demand reduction in an effort to promote regional stability. Coordination is close with the regional DEA and other regional USG offices in Pretoria, which work on law enforcement issues. The U.S. will continue to support Swazi interdiction and demand reduction efforts and has the following near term objectives in Swaziland:

- Urge rapid enactment of the updated drug legislation;
- Continue assistance to eradicate cannabis crops;
- Assist Swazi initiatives in the counterdrug arena, as budget ceilings permit;

In 2001, the U.S. Department of Justice will be sponsoring a consultant visit to Swaziland to assist the Assistant Attorney General in the drafting of antinarcotics legislation. An additional sum of money will also be spent to conduct a workshop for several Ministers of Parliament on the new legislation and to purchase computers for the police.

Syria

I. Summary

In 2000, the Syrian government continued to make progress in combating the drug trade, but Syria remains an important transit country. Jordan and the Gulf States are the primary destinations for drugs transiting Syria from Lebanon and Turkey. Syria has used its influence in Lebanon to assist Lebanese officials in significantly suppressing drug production and trafficking there in recent years.

Counternarcotics cooperation with neighboring countries, particularly Turkey, Lebanon, and Jordan, is ongoing and robust. Syria's domestic drug abuse problem remains small, due largely to the active enforcement of existing laws and the cultural and religious norms that stigmatize substance abuse. Syria is a party to the 1988 UN Drug Convention. In recognition of the Syrian government's drug control efforts, Syria was removed from the Majors List in 1997 and named a country of concern. Since then, the U.S. has continued to monitor Syria's efforts to suppress cultivation of poppies in the Syrian-controlled Lebanese Bija' Valley and to monitor the effect of drugs transiting Syria on the U.S.

II. Status of Country

Syria is a transit country for hashish and heroin moving through the region, particularly from Turkey, but also from Lebanon. Syria is also a transit country for opium entering Lebanon from Afghanistan via Jordan. Opium transshipments through Syria increased in 2000, while shipments of cocaine from Brazil via Europe and Syria to Lebanon decreased in 2000. Increased shipments of drugs through Syria to Saudi Arabia and Israel via Jordan were also observed. The available evidence indicates that most narcotics transiting Syria go to other parts of the region and to Europe.

No members of the Syrian military stationed in Lebanon were prosecuted for drug trafficking in 2000. Despite previous allegations of such trafficking, Syrian counternarcotics officials maintain that drug production in the Syrian-controlled Bija' Valley has decreased significantly, even in remote mountainous areas without roads. These officials acknowledge that some low-ranking individuals in the Syrian military have been arrested in the past with small amounts of drugs, but maintain that there have been no cases of Syrian military involvement in narcotics trafficking in the past several years.

Syria was added to the Majors List in the late 1980's because opium production in the Syrian-controlled Lebanese Bija' Valley exceeded the threshold limits of the Foreign Assistance Act of 1961, as amended. In 1991, estimates determined that 3,400 hectares were being used for opium production in the Bija' Valley. In 1992, Syria and Lebanon launched a successful eradication campaign that they have sustained to the present, reducing the area where opium is cultivated to approximately 150 hectares in recent estimates. The cultivation of cannabis, processed into hashish for primarily non-U.S. markets, was also reduced drastically during the same period. In recognition of these efforts, Syria was removed from the Majors List in 1997.

III. Country Actions Against Drugs in 2000

Policy Initiatives. Syria's antitrafficking law of 1993 calls for the death penalty for certain offenses. Syrian authorities handed down two death sentences in narcotics-related cases in 2000; however, in practice the maximum sentence is 30 years, and most death sentences are reportedly commuted. Many cases are pending under the antitrafficking law, and there are ongoing prosecutions of drug offenders. There are provisions for the seizure of assets financed by profits from the drug trade, which are invoked on a case-by-case basis.

Accomplishments. Syrian authorities continued to work closely with their Lebanese counterparts to suppress the cultivation of narcotics in the Biqa' valley. As part of their interdiction efforts, the Syrian authorities confiscated seven kilograms of cocaine, 35 kilograms of opium, 37 kilograms of heroin, 182 kilograms of hashish, and 1.1 million Captagon pills. Syrian authorities reported the arrest of 2,232 individuals on narcotics-related charges in 2000. There were 377 convictions in drug-related cases; sentences included two death sentences, 17 life sentences, and 99 sentences of ten or more years of imprisonment.

Law Enforcement Efforts. Movement of precursor chemicals through Syria is believed to occur on a small scale, although Syrian authorities reported an increase in the smuggling of such precursors from Lebanon to Turkey via Jordan in 2000. Syrian authorities have historically seized only very small amounts of precursor chemicals in transit. In 1999 the Syrian government codified a 1996 plan to control these chemicals.

Syria cooperates closely with the Lebanese authorities in the areas of interdiction, cultivation, and production. In 2000, Syria continued to cooperate closely with Jordan on narcotics matters. Syrian counternarcotics officials maintain that cooperation with Turkey on narcotics control has steadily improved, and characterize the current working relationship as "excellent." In 1999 Syria participated in a regional seminar sponsored by the UNDCP.

Seizures of cocaine decreased to seven kilograms in 2000 from 32 kilograms in 1999 and 15.8 kilograms in 1998. While seizures of cocaine fell from 1999 to 2000, the overall amount of cocaine shipped through Syria also decreased. Seizures of opium rose in 2000 to 35 kilograms, as compared to five kilograms in 1999 and 1.2 kilograms in 1998. Seizures of heroin declined from 57 kilograms in 1999 to 37 kilograms in 2000. Syria has legislation which provides for seizure of assets financed by profits from the drug trade. The government has used this legislation to seize assets.

Corruption. In the past there have been unconfirmed reports of corruption among some Syrian military officials in Lebanon involving the issuance of passes permitting the free movement of goods and persons in return for bribes. The Syrian government has an Investigations Administration (Internal Affairs Division) responsible for weeding out corrupt officers in the counternarcotics unit and the national police force. The Investigations Administration is independent of both the counternarcotics unit and the national police and reports directly to the Minister of the Interior. According to Syrian authorities, there were no arrests or prosecutions of officers in the counternarcotics unit for corruption in 2000.

Agreements and Treaties. Syria is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances. Syria maintains antidrug agreements with Cyprus, Iran, Jordan, Lebanon, Saudi Arabia, Egypt, and Turkey. In 1999 Syria renewed its antidrug agreement with Saudi Arabia. In 1996, Syria signed a new agreement with Pakistan which called for increased information-sharing in the counternarcotics field. Syria and the U.S. do not have a narcotics agreement, nor is there an extradition treaty between the two countries. Syria is a member of INTERPOL. In December 2000, Syria signed the UN Convention Against Transnational Organized Crime and its protocols.

Cultivation/Production. The GOS has an effective antinarcotics system in place that has reduced cultivation and production in Syria to negligible levels.

Drug Flow/Transit. Syrian officials estimated that in 2000 the overall flow of narcotics transiting Syria and destined for other countries in the region was approximately the same as in 1999. Transshipment of narcotics from Turkey continues to represent the major challenge to Syria's counternarcotics effort. Seizure statistics suggest a significant decrease in shipments of cocaine, heroin, and hashish, but those gains were offset by an increase in movement of opium from Afghanistan and Pakistan through Syria to Turkey. Transshipment of drugs via Jordan to the Gulf States has surpassed coca shipments to Lebanon, which decreased in 2000. While total seizures of captagon pills decreased from 1.5 million in 1999 to 1.1 million in 2000, Syrian authorities reported that the amount of

captagon seized en route from Turkey to Saudi Arabia via Syria increased from 336,000 pills in 1999 to 890,000 pills in 2000. Drug interdiction remains the focus of the Syrian counternarcotics effort.

Domestic Programs/Demand Reduction. Due to the social stigma attached to drug use and stiff penalties under Syria's strict antitrafficking law, the incidence of drug abuse in Syria is low. The Syrian government's counternarcotics strategy, which is coordinated by the Minister of the Interior, uses the media to educate the public on the dangers of drug use, and drug awareness is also part of the national curriculum for school children.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. In meetings with Syrian officials, the U.S. continues to stress the need for diligence in preventing narcotics and precursor chemicals from transiting Syrian territory; the need to work with the Lebanese government in dismantling drug laboratories in Syrian-controlled areas of Lebanon; and the necessity of terminating any involvement, active or passive, of individual Syrian officials in the drug trade.

Bilateral Cooperation. U.S. Embassy officials in Damascus and DEA officials based in Nicosia maintain an ongoing dialogue with Syrian authorities in the counternarcotics unit. In addition, high-ranking U.S. officials periodically share their views and recommendations with the Syrian ministries of Foreign Affairs and Interior.

The Road Ahead. The U.S. will continue to encourage the Syrian government to maintain its commitment to combating drug transit and production in the region; to follow through on plans to enact anti-money laundering legislation; and continue to encourage Syria to improve its counternarcotics cooperation with neighboring countries. The U.S. will also encourage Syrian officials to continue their work with their Lebanese counterparts to ensure that drug production in Lebanon remains at low levels; to find and destroy drug processing laboratories in those areas where Syrian forces are present; and to work to minimize the involvement of Syrian officials in drug trafficking.

Tanzania

I. Summary

Tanzania is located along trafficking routes from Asia and the Middle East to South Africa, Europe and the United States. Drugs like hashish, Mandrax, cocaine, heroin, and opium have found their way into and through Tanzania's porous borders. In addition, the domestic production of cannabis is growing. As a result, drug abuse, particularly involving cannabis, as well as cocaine and heroin, is increasing, especially among younger people. Money laundering happens in Tanzania, but a very weak financial sector and under-trained and under-funded law enforcement make it difficult to track and prosecute.

Tanzania is a party to the 1988 UN Drug Convention; and, in conjunction with UNDCP, is seeking to address objectives of that convention. Recent accomplishments include a high profile and apparently successful master plan policy workshop and the establishment of an inter-ministerial Antidrug Commission. However, Tanzania is a poor country and lacks the necessary resources to make institutions effective. Despite public promises to combat graft, Tanzania is apparently unable to put a stop to rampant corruption.

II. Status of Country

Until 1989, Tanzania's contact with drugs was largely limited to the traditional cultivation of cannabis in some parts of the mainland. Since then, the situation has changed dramatically and new drugs like hashish, Mandrax, cocaine, heroin, and opium have found their way into and through Tanzania's porous borders.

In addition, the domestic production of cannabis is growing. As a result, drug abuse (particularly involving cannabis and Mandrax) is increasing, especially among younger people. Harder drugs (heroin and cocaine) are used in small quantities within the affluent classes. Recent reports indicate that crack cocaine has also been introduced to Tanzania, and is growing more prevalent. The growing tourism industry has created a larger demand for narcotics.

Tanzania is located along trafficking routes with numerous possible illegal points of entry. The drugs originate from Pakistan, India, Thailand, Burma, Iran, Syria, and South America en route to Europe, South Africa, and to a lesser extent, the U.S. The amount of drugs transiting Tanzania does not,

however, significantly affect the U.S. Drugs enter Tanzania by air, sea, roads, and rail. Major points of entry include airports in Dar es Salaam, Zanzibar, and Kilimanjaro, and sea ports at Dar es Salaam and Zanzibar, as well as smaller ports like Tanga and Mtwara.

Despite a paucity of statistics about the narcotics trade in Zanzibar, and even fewer seizures, law enforcement officials widely believe that there are significant amounts of drugs passing through its sea and airports. Widespread corruption and a near absence of regulation on Zanzibar make it an ideal transit point.

There are also strong indications of a drugs-arms connection in Tanzania linked with the arms demand in the Great Lakes Region (Democratic Republic of the Congo, Burundi, Rwanda, Uganda, etc.).

III. Country Actions Against Drugs

Policy Initiatives. In 1995 Tanzania passed the Prevention of Illicit Traffic and Drugs Acts, which establishes severe punishments for the production and trafficking of narcotics. It stipulates long sentences, including life imprisonment, and forfeiture of property derived from or used in illicit trafficking. Offenses under this act are not bailable. A 1995 act of parliament also created the Inter-Ministerial Antidrug Commission (IADC) (established in 1997) to define, coordinate, and promote Tanzania's national and sub-regional narcotics policies. The Government of Tanzania has recently put narcotics issues higher on the political agenda. President Mkapa has declared the government's Fight Against Drugs, involving the nine ministries that are party to the IADC, as well as five other ministries that work in close cooperation with the commission.

In 1999 UNDCP helped finance a workshop for the IADC to develop the framework for a national master plan to combat drug trafficking and abuse. A UNDCP-funded expert has been working with the commission and a plan has been submitted to the cabinet for approval. It is expected to be completed and published by mid-2001.

Law Enforcement Efforts. Tanzania has three antidrug police units of more than 50 officers; one in Dar es Salaam, one in Zanzibar, and a new unit in Moshi. These units just received six drug detection dogs from the United Kingdom to increase their detection capability.

A structured cooperation between the drug police in Kenya, Uganda, Rwanda, and Tanzania is well established, with bi-annual meetings to discuss regional narcotics issues. This cooperation has resulted in significant increase in communication, as well as effectiveness in their individual narcotics control efforts. Through UNDCP, Tanzania receives technical cooperation that amounts to \$700,000 for a multi-sectoral project that includes capacity building for law enforcement, institution building and demand reduction. Tanzania also participates in UNDCP regional projects. The Southern African Development Community, of which Tanzania is a member, has approved an antidrug action plan and will appoint a drug advisor.

In the most recent year for which accurate statistics are available, 1999, the GOT seized 7.1 kilograms of heroin, compared to 4.6 in 1997—an increase of 46.5 percent. In October 2000, police in the Dar es Salaam seaport seized over 295 kilograms of Mandrax from a container believed to be transiting Tanzania on its way from Mumbai to South Africa. Also in October, police at Dar es Salaam International Airport arrested a Tanzanian national carrying nearly 600 grams of cocaine from Rio de Janeiro to Switzerland. Four-and-a-half kilograms of heroin were seized on Zanzibar from three Tanzanian nationals traveling from Dubai to Mombasa.

Cultivation and Production. Traditional cultivation of cannabis takes place in remote parts of the country, mainly for domestic use. No figures exist, but police and government officials report that production is continuing to increase.

Drug Flow/Transit. Due to its location and porous borders, ports and airports, Tanzania, and in particular Zanzibar, has become an important transit country for narcotics moving in sub-Saharan Africa. Control at the ports is especially difficult as sophisticated methods of forged documents combine with poor controls and corrupt officials. Trafficking using document courier companies is becoming more common. Heroin trafficking in Tanzania is beginning to have an impact on the U.S. Afghan heroin entering Tanzania from Pakistan is being smuggled to the U.S. by Nigerian traffickers. In addition, a growing number of Tanzanians are arrested abroad for serving as drug couriers. The Port of Dar es Salaam is a major entry point for Mandrax from India headed towards South Africa. This trade is managed by Indian nationals and ethnic Indians of South African nationality.

Only small amounts of narcotics are seized due to lack of resources and corruption. For example, the Tanzanian Coast Guard which is responsible for a large portion of Tanzania's border including the

Indian Ocean, Lake Victoria, Lake Tanganyika, Lake Malawi, and others, has only one functional boat, which was donated by the British in 1998.

Agreements and Treaties. Tanzania is a party to the 1998 UN Drug Convention. Tanzania has also signed the Southern African Development community (SADC) Protocol on Drug Control. The 1931 U.S.-UK Extradition Treaty is applicable to Tanzania.

Domestic Programs/Demand Reduction. Tanzania was traditionally believed only to be a transit point for narcotics, but signs point to an increase in consumer use. There has been no study of narcotics consumption, but UNDCP is finalizing the results of a rapid-assessment study it began in 1999. In addition, IADC has begun to compile narcotics statistics in a central databank. It is known that domestic demand is increasing due to both spill-over from trafficking and increased tourism. The tourist industry has brought ecstasy to Zanzibar and police reports confirm that crack cocaine is also consumed locally.

IV. U.S. Policy Initiatives and Programs

U.S. policy initiatives and programs for addressing narcotics problems in Tanzania are focused on training workshops and seminars for law enforcement officials. In July 2000, DEA presented a two-week drug enforcement course in Nairobi which was attended by six Tanzanian antinarcotics officers. In January 2001, an antinarcotics officer attended a three-week course on narcotics and contraband interdiction. Four senior Tanzanian police officers attended a State Department-sponsored training assessment forum in Gabarone, Botswana in January 2001.

Togo

I. Summary

In 2000, Togolese authorities took aggressive action against drug traffickers by enforcing the Government's tough 1998 antidrug law. For the first time Togo has punished offenders using the heavy fines and long prison sentences provided for under the 1998 law. Togo is a party to the 1988 UN Drug Convention.

II. Status of Country

Togo cultivates small amounts of cannabis primarily for local consumption, and estimates that only a small amount of this cannabis is exported. The country's poor infrastructure coupled with high unemployment and desperate economic conditions are unlikely to allow for clandestine laboratories or the procurement of drugs by most of the Togolese citizenry. Nevertheless, Togo's relatively porous borders permit traffickers, mostly African and including many Nigerian nationals, relatively free access to the country. This ease of access has made Togo a transshipment point in the regional and sub-regional trade in narcotics, especially for heroin coming from Southeast and Southwest Asia, destined for Nigeria, and from there to Europe and the U.S. The GOT believes increased drug flows through Togo have led to an upsurge in violent crime in general. It also is aware that increased international trade may expand opportunities for narcotics trafficking.

III. Country Action Against Drugs in 2000

Law Enforcement Efforts. Togo's difficult budget problems have stymied the implementation of most GOT-sponsored antidrug programs. There is neither money nor infrastructure for rehabilitation programs for drug addicts. In fact, only recently has the GOT begun to train its magistrates in how to handle cases and sentencing under the 1998 drug law. The GOT held many drug conferences this year to educate local officials involved with counternarcotics activities. The most recent drug education conference, held in November 2000, targeted local magistrates responsible for enforcing and prosecuting offenders under the 1998 drug law. It has been suggested that since 1990—during Togo's ongoing, if halting, democratic transition—precious resources that could have gone into the interdiction of illicit drugs have instead been diverted to ensure public order.

Policy Initiatives. Togo is now working methodically toward preventing the free flow of illegal drugs from entering the country. In an effort to meet its obligations under the 1988 UN Drug Convention, The GOT outlined a National Drug Strategy in 2000. The strategy, detailed in a major paper produced by the Ministry of Interior entitled "The Drug Menace in Togo," defines obstacles the GOT encounters in combating the illicit narcotic trade, such as budgetary difficulties and the problems posed by the country's porous borders. The strategy also sets forth three key objectives:

- Improving the Management of Drug Control through promoting research in drug supply and demand and improving coordination of action in fighting against drugs.
- Reducing supply through reinforcement of cooperation among agencies by creating a confidential databank, comprised of data from all agencies, with all agencies having common access; reinforcing cooperation and management controls among competing security agencies with overlapping authority in the area of equipment and human resources. (Note: Currently the National Police focus on drug interdiction in cities and at the Lome Tokoin International Airport. The National Gendarmerie also works at that airport as well as in non-urban areas and along the borders. The Customs Service also handles border controls.) Combating illegal production through law enforcement and eradication measures; combating money laundering of drug funds; and combating all levels of the illegal supplying of drugs, from the individual who is abusing a prescription to the drug kingpin who transships kilos of heroin or cocaine through Togo.
- Reducing the demand in drugs by reinforcing preventive actions through the media, including education and drug awareness campaigns; enforcing rehabilitation, including detoxification and post-"cure" counseling and support; and reinforcing rehabilitation by developing training activities and providing assistance to former addicts.

In an effort to implement the national strategy, the GOT has called on donor countries for \$3 million. This funding would be used to create many new programs such as a maritime targeting unit, two health centers, and a rehabilitation center. The plan calls for development of a new counternarcotics infrastructure, attacking the transshipment of narcotics as well as targeting major drug traffickers and organizations.

Agreements and Treaties. Togo is a party to the 1988 UN Drug Convention. Togo does not have an extradition treaty with the United States. The GOT has signed a quadripartite agreement with provisions to fight against illegal drug trafficking with the governments of Ghana, Benin, and Nigeria (including the extradition of criminals). In December 2000, Togo signed the UN Convention Against Transnational Organized Crime and its protocols.

Bilateral Cooperation. Togo hosted the ECOWAS Heads of State and Governments Conference in December 1999, which created an Inter-Governmental Group of Action Against Money-Laundering in West Africa. This was a significant milestone, for Togo's 1998 drug law penalizes financial transactions at the same level as narcotics smuggling or selling.

Drug Flow/Transit. GOT authorities involved with counternarcotics continued their interdiction efforts directed primarily at ports of entry. Seizures at the Lome's Tokoin International Airport have increased with an average smuggler trying to enter the country with approximately one kilogram of heroin or cocaine. Usually couriers swallow balloons filled with the illicit drugs. So far, the profile of smugglers is split 50-50 between Africans (mainly Nigerians) and Europeans. Most heroin couriers have used the air carrier Ethiopian Airways, which has connecting service from Pakistan in Addis Ababa. The GOT now publicly releases pictures of smugglers to media outlets, including national television and local newspapers (this is in accordance with the 1998 drug law). The most recent arrest involved a Nigerian national arriving at the Tokoin International Airport in November. The Nigerian had swallowed 1.2 kilograms of heroin, reportedly purchased in Pakistan. Local newspapers published his picture and a story detailing his possible punishment of 10 to 20 years in prison and an approximate \$180,000 fine.

Drug Programs/Demand Reduction. Heroin and cocaine are readily available in Lome. The National Narcotic Control Board continues with their proactive measures similar to the D.A.R.E. program in the United States. Through the creative use of soccer games among youth groups throughout the country, the Committee has spread the word about the dangers of drug use and trafficking.

IV. U.S. Policy Initiatives and Programs

The primary U.S. goal is to help the GOT combat transnational narcotics smuggling through assisting the GOT in improving its ability to interdict illicit narcotics entering Togo and to prosecute those traffickers who are caught. Togo's realization of the threat from narcotics trafficking, and its excellent planning response to that threat is the prerequisite to progress. But actually achieving the well-thought-out goals in Togo's plan will be difficult because of the hard fact of the country's ongoing political crisis and the resulting very poor state of Togo's finances.

Tunisia

I. Summary

Tunisia's role as a drug transshipment point is limited, but the government has continued its cooperation with neighboring states and with international bodies to interdict drug shipments. Tunisia is a party to the 1988 UN Drug Convention. In 1992 Tunisia passed drug-enforcement legislation to implement the convention. Tunisia is also party to the Arab Convention Against Illegal Trafficking In Drugs And Psychotropic Substances. The government has an active antidrug education program, focusing on youth. In December 2000, Tunisia signed the UN Convention Against Transnational Organized Crime and its protocols.

II. Status of the Country

Tunisia is not a significant drug transshipment point, and does not play a significant role in money laundering or precursor chemical production. Tunisia is a transit point for hashish from Morocco being smuggled to Europe. While consumption of narcotics was previously virtually unknown and remains limited, drug use, including of cocaine, ecstasy, marijuana, and cannabis, has increased in recent years, primarily at high schools, universities, and tourist resorts. There is no reliable information about whether scattered production of cannabis in northern Tunisia, which was legally cultivated for local use in pre-independence Tunisia, continues illicitly.

III. Country Actions Against Drugs in 2000

Accomplishments. In July 2000, a court in the Tunisian city of Sfax, Tunisia's second-largest city, convicted the defendants in a case in which 50 defendants were involved and 340 kilograms of ecstasy were seized. In November 2000, a Tunis court heard a complex narcotics case involving 27 defendants of different nationalities (mainly French and Tunisians) accused of possessing and trafficking in heroin. These two cases indicate some increase in international drug trafficking to and through Tunisia. The Tunisian press has recently begun to report on major drug cases, with some allegations that wealthy, well-connected families are involved. The subject of narcotics trafficking remains somewhat stigmatized and public discussion is limited.

Corruption. There does not appear to be widespread drug-related government corruption. In an effort to control drug-related corruption, the 1992 drug law provides for sentences to be doubled if the crime is committed by a drug enforcement official or person involved in the administration or guarding of drug warehouses or depots.

IV. U.S. Policy Initiatives and Programs

The U.S. supports Tunisian efforts to comply fully with the 1988 UN Convention, and seeks Tunisian support for U.S. international antinarcotics initiatives. There is no U.S.-Tunisia bilateral narcotics agreement, and there has been no recent U.S. assistance to the GOT on counternarcotics matters. The U.S. in the past provided narcotics-related training assistance in maritime security for Tunisian customs officials.

United Arab Emirates

I. Summary

Although it is not a drug producing country, the UAE is a crossroads for west-east trade and is proximate to major drug-producing and transit countries, including Afghanistan, Pakistan, Iran and India. It has 700 kilometers of coastline, is situated in a relatively affluent region, and has a domestic banking system that only recently (December 2000) adopted formal anti-money laundering regulations. These factors, combined with the country's laissez-faire attitude toward trade, make it vulnerable to narcotics trafficking. A reliable estimate of the volume and type of drug trafficking is not currently available, in part due to limited seizure data. But rising heroin abuse in the UAE as reported in the media and arrests of drug couriers planning to transit or who have already transited the UAE are evidence for concern. The failure of recently adopted money laundering measures to criminalize such activity adds to UAE's vulnerability.

Published statistics on narcotics seizures and domestic addiction reveal a growing drug problem among UAE and third-country nationals which, while not significant by U.S. standards, is notable given the country's harsh drug laws. Officials of the Ministry of Interior's Federal Drug Enforcement Agency have informed U.S. officials that heroin is their main concern, although the majority of drug seizures

are of hashish rather than heroin, opium, or cocaine. This Drug Enforcement Agency is tasked with coordinating drug enforcement efforts among the seven emirates comprising the UAE, as well as executing national antidrug strategy. The UAE government is a party to the 1988 UN Drug Convention and is committed to the fight against international narcotics trafficking and narcotics abuse.

II. Status of Country

A major financial center and regional hub for air travel, commercial shipping and trade, the UAE also is a transshipment point for illegal narcotics from the drug cultivating regions of South and Southwest Asia to Africa and Europe. Some analysts estimate that less than one percent of the drugs likely transiting the Emirates reaches the United States. The UAE seized a nine ton shipment of mislabeled acetic anhydride, a chemical used to make opium into heroin, en route from India to Afghanistan in 1999, additional evidence of a UAE transshipment role in the regional drug trade.

Illegal trafficking occurs mainly in the northern emirates due to the emergence of Dubai and Sharjah as regional centers in the transportation of passengers and cargo, a porous land border with Oman, and the presence of active "free trade zones" in all the emirates but Abu Dhabi. Drug couriers intending to travel through the UAE are routinely arrested at airports in Pakistan, and many other couriers arrested in African airports carried their Afghan heroin cargo through Dubai.

III. Country Actions Against Drugs in 2000

Policy Initiatives. The government of the UAE (UAEG) co-hosted a drug conference in October 1999 with the UNDP and presented a national drug control strategy targeting both the supply of and demand for illegal drugs. Supply reduction initiatives include the formation of a counternarcotics force within the UAE Coast Guard; establishment of special drug task forces throughout the emirates; registration of convicted drug offenders into a central database to deny entry at border points; assignment of specially trained counter narcotics officers to all border points to profile potential traffickers; increased cooperation with neighboring countries regarding information exchange and drug seizures; monitoring of precursor chemicals to ensure their legitimate use; and the signing of antinarcotics agreements with Pakistan and India. The UAE continues to formulate a national drug demand reduction plan. This plan is expected to focus on designing programs to ensure that all UAE citizens have suitable employment, receive incentives to lead stable family-oriented lives, and are provided financial incentives to cooperate with police in detecting drug crimes. In conjunction with reducing demand, the UAEG has established drug treatment centers for those identified as addicts.

UAE authorities continue to participate in international antidrug fora. The UAEG has been very receptive to State Department, DEA, U.S. Coast Guard, and other agency-sponsored training on money laundering, drug education, treatment, and prevention programs.

Agreements and Treaties. The U.S. does not have an extradition treaty or a mutual legal assistance treaty with the UAE. The UAE is a party to the 1988 UN Drug Convention and other multilateral or bilateral counternarcotics conventions, including agreements with Pakistan and India. The UAEG has also signed a number of Memoranda of Understanding with other governments, including the U.S. and U.K.

Law Enforcement. In 1998 the UAEG established its first regional narcotics liaison office in Islamabad, Pakistan, and is evaluating an initiative to establish a network of liaison offices. UAE officials have identified a requirement for a data center to coordinate narcotics-related information throughout the UAE and have taken preliminary measures to establish a countrywide database.

While punishment for drug offenses is severe, enforcement is hampered by the absence of legal provisions allowing asset forfeiture. The minimum sentence for individuals convicted of using drugs in the UAE is four years, or seven years if there also is a possession charge. In 1999 the death sentence was imposed on a Canadian citizen for possession with intent to distribute narcotics, later commuted to life in prison. No death sentence has ever been carried out in the UAE.

Some UAE successes with shallow-water interdictions have prompted narcotics traffickers to use alternate routes, particularly Oman's vast 1,500 km coastline for overland smuggling across the UAE-Oman border. In response, the UAEG has increased border patrols utilizing enhanced monitoring equipment.

Recognizing the need for increased monitoring at their commercial shipping ports and borders, the UAEG is making efforts to tighten inspections of cargo containers transiting the UAE. (Over two

million containers entered the emirate of Dubai in 1998.) Customs officials are randomly searching containers and following up leads of suspicious cargo. The UAEG is in the process of procuring state-of-the-art equipment, which allows for rapid, thorough searches of shipping containers and vehicles.

Corruption. UAE officials aggressively pursue and arrest individuals involved in illegal narcotics trafficking and/or abuse. There is no evidence that corruption of public officials is a problem.

Domestic Programs (Demand Reduction). UAE authorities acknowledge that narcotics consumption is an increasing problem among the local population. The focus of the UAE government's domestic program is to reduce demand through public awareness campaigns directed at young people and the establishment of rehabilitation centers. UAE officials believe that adherence to Islamic religious mores and the imposition of severe prison sentences for persons convicted of drug offenses are effective deterrents to narcotics abuse. The UAEG has established treatment and rehabilitation programs. Under federal law, nationals who are addicted can present themselves to the police or to a rehabilitation center and be exempted from criminal prosecution. Patients undergo a two-year drug rehabilitation program that includes family counseling/therapy. Nationals who do not turn themselves in to local authorities are referred to the courts for prosecution. Third-country nationals or "guest workers" (approximately 80 percent of the UAE's population) convicted of narcotics offenses generally receive prison sentences and then are deported upon completing their sentences.

Drug Flow/Transit. The volume of legitimate commercial trade via the UAE's many air and seaports makes it difficult to detect illegal drug smuggling operations. While the UAE's geographical location, large shipping and transit infrastructure, and emphasis on a streamlined movement of cargo could attract narcotic trafficking organizations, there have been no large or containerized drug seizures in the UAE. Information compiled from arrests and seizure data in other transit and destination countries documents a transshipment role for the UAE, but the magnitude of that role is not clear. No official countrywide statistics are available in the public domain, nor have any significant UAE related drug seizures occurred in country. Arrest and seizure information from other countries, however, supports a growing body of opinion that narcotics smuggling from South and Southwest Asia to Europe and Africa via the UAE is increasing. Hashish, heroin and opium shipments originate mainly in Afghanistan, pass through Pakistan and Iran, and are smuggled to the UAE in cargo containers or on small vessels and powerboats, sometimes arriving overland through Oman. The amount of the U.S. heroin market supplied from South Asia is low (estimates range from five to 15 percent), and it is unlikely that the heroin that reaches the U.S. through the UAE is in an amount sufficient to have a significant effect on the U.S.

Local press reports the street value of one kilogram of Pakistani hashish to be USD 4,658 in Abu Dhabi and USD 3,288 in Dubai. Prices are said to be higher in the relatively more affluent Abu Dhabi and Dubai emirates.

IV. U.S. Policy Initiatives and Programs

U.S. Government policy seeks continued and enhanced participation by the UAEG in programs dealing with narcotics trafficking, the diversion of precursor chemicals, and money laundering. In 2000 the UAE participated in regional training programs with Pakistan and Oman to improve maritime narcotics interdiction.

Bilateral Cooperation. Although the UAE has no bilateral narcotics agreement with the U.S., UAE authorities cooperate willingly with U.S. investigative efforts to the extent possible under UAE law. UAE officials are eager to engage in exchange programs with U.S. Drug Enforcement Administration personnel.

The Road Ahead. The U.S. will continue to support the UAEG's efforts against illicit narcotics trafficking and money laundering. The USG will encourage the UAEG to focus enforcement efforts on dismantling major trafficking organizations and prosecuting their leaders, and to enact asset forfeiture and seizure legislation.

Zambia

I. Summary

Zambia is not a major drug producer or exporter, and it is not a significant drug transit country, but Mandrax headed for South Africa does transit Zambia. There is, however, some cultivation of cannabis. The Zambian Drug Enforcement Commission (DEC) cooperates well with the U.S. and other nations' law enforcement agencies, but, to date, there have been relatively few prosecutions of

major drug traffickers in Zambia. There is no question of Zambian officials' commitment to vigorous drug enforcement, but the overall program suffers from a lack of resources. Zambia is a party to the 1988 UN Drug Convention.

II. Status of Country

Production of drugs in Zambia is limited, with cultivation of cannabis the only significant issue. Cannabis is grown mostly in rural areas as a cash crop supplement to subsistence agriculture. There are reports of seizures of Zambian origin cannabis in neighboring states, and Zambian enforcement officials seized sizeable quantities themselves. Zambia is unlikely to emerge as a significant source for cannabis. Cannabis is used among the urban young and, to a lesser degree, by villagers in rural areas. No reliable statistics on use are available.

There is a small, but reportedly growing consumption of imported drugs, including heroin, cocaine, Mandrax (methaqualone tablets), hashish, and amphetamines by foreigners resident in Zambia as well as wealthier young Zambians. Some of these same drugs are trafficked to southern Africa, but while there have been seizures at the international airport and at border crossings, this trafficking is limited in scope, with the exception of Mandrax, which is moderate in scope.

III. Country Actions Against Drugs in 2000

Zambia is a party to the 1988 UN Drug Convention. The 1931 U.S.-UK Extradition Treaty is applicable to Zambia. A Drug Control Master Plan was launched in October 1998. The objectives of the plan are research on the extent of the drug problem and demand reduction through enhanced public awareness of the dangers of drug abuse. During the first year of the project, drug awareness materials were developed and distributed to schools in three provinces. In the past year a rapid assessment study on the extent of drug abuse in Zambia was carried out. The plan has one additional year to run.

In July 2000, drug detection dog kennels were opened at the Zambian Drug Enforcement Commission (DEC) headquarters in Lusaka. The kennels were funded in part by the Finnish government. Four South African trained dogs were funded by the UNDCP. There have been no reports of drug seizures using the dogs, but they would seem to exercise a deterrent effect on possible violators.

Also in July 2000, the DEC sponsored a two-day workshop in Lusaka for members of parliament and representatives of civil society on the impact of drug trafficking and money laundering on the nation. Among the recommendations unanimously adopted at the final plenary session was that a bill on prohibition and prevention of money laundering, withdrawn from parliament by the cabinet after a first reading, be reintroduced to parliament by the executive branch. To date this has not been done.

As of October, the DEC had made 1,942 narcotics arrests for the year 2000. While the large majority of these were low-level Zambian cultivators, street traffickers and abusers, 23 Somalis and 16 citizens of the Democratic Republic of the Congo were also arrested. During the same period, the DEC obtained 739 convictions for narcotics-related crimes. During the first 10 months of the year, Zambian enforcement officials seized almost 7 MT of cannabis and more than 124 kilograms of Mandrax and other synthetic drugs and pills.

IV. U.S. Policy Initiatives and Programs

The U.S. contributed 10 used computers and monitors to the DEC and 24 drug test kits for use at international airports and border crossings. In late December 2000, a team of U.S. Customs and INS experts were preparing to visit Zambia's border with Tanzania as part of a joint project to improve law enforcement and, generally, to improve operations at land border crossings in southern and eastern Africa.

Zimbabwe

I. Summary

Zimbabwe is not a major producer, supplier or exporter of illicit narcotics. Drug use in Zimbabwe is generally limited to cannabis, the majority of which is imported from Malawi, Mozambique and Zambia. Although Zimbabwe is a party to the 1988 UN Drug Convention and ratified the SADC (Southern African Development Community) Protocol on Narcotics Cooperation, a unified government program of prevention and enforcement remains largely unfunded and inactive. Zimbabwe has neither requested, nor has it received USG assistance in the past two years. On April 26, 2000, the

U.S.-Zimbabwe extradition treaty entered into force. In December 2000, Zimbabwe signed the UN Convention Against Transnational Organized Crime.

II. Status of Country

Production, cultivation and trafficking of narcotics in Zimbabwe are rather limited, as is the production of precursor chemicals. Although cannabis is cultivated in the rural areas on a small scale for local use, most cannabis available in Zimbabwe is imported from neighboring countries such as Malawi, Mozambique and Zambia. Hashish, cocaine, heroin and LSD are other narcotics that have been noted in very limited quantities in larger urban areas such as Harare, Bulawayo, and Gweru. Unaffordable to the mainstream population, these drugs are generally used by a few affluent suburban youths. Zimbabwe has also been identified as a transshipment point for Mandrax (Methaqualone), a drug produced in India and Pakistan for distribution in South Africa. Some cocaine bound for South Africa transits Zimbabwe; this traffic is under the control of Nigerians.

III. Country Actions Against Drugs in 2000

The implementation of a five-year Drug Control Master Plan commenced in January 2000 and stressed four specific areas of concern: prevention, treatment, rehabilitation and law enforcement. However, law enforcement authorities are not presently engaged in specific programs to combat drug use, production or transshipment, and view the antinarcotics effort as minor in comparison with other law enforcement challenges that they routinely face. Police have seized limited quantities of narcotics and offenders have been prosecuted in the courts, but these actions are generally considered by-products of law enforcement activities other than those in the counternarcotics arena. There are no known indicators to demonstrate or suggest that government officials are engaged in or encourage illicit drug production or distribution.

IV. U.S. Policy Initiatives and Programs

Zimbabwe's problems with illicit drugs appear to be relatively small, certainly in comparison with many neighboring countries. Still, it is unfortunate that the GOZ's interest in the counternarcotics arena appears to have been sidelined by a more pressing, yet controversial, political agenda.

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Chemical Controls

Introduction

Chemical diversion control is a proactive and straightforward strategy to deny traffickers the chemicals they must have to manufacture illicit drugs. It involves the regulation of licit commerce in the chemicals most necessary for drug manufacture to ensure that only transactions for which legitimate end-uses have been established are permitted to proceed, thereby preventing the diversion of drug-producing chemicals from licit trade to illicit drug manufacture. Chemical control is a cost-effective strategy to prevent the manufacture of illicit drugs through the regulation of licit commerce.

There is widespread international commerce in many of the chemicals required for illicit drug manufacture. Many of them have extensive commercial applications and are available from numerous source countries. Therefore, an essential element of effective international chemical control is rapid international exchange of information between competent national authorities on proposed transactions in regulated chemicals in order to identify and stop or seize those shipments involving chemicals likely to be diverted to illicit drug manufacture. National control systems alone cannot prevent diversion.

The U.S. continues to seek the establishment of formal and informal multilateral mechanisms for this information exchange.

Chemical control is a strategy to prevent a crime. It requires the examination of proposed commercial transactions, the bulk of which are legitimate—an examination that requires chemical manufacturers and traders to provide commercial information to the exporting country's authorities. These authorities must share at least a portion of this information with other governments to ascertain the legitimacy of the proposed end-use, and to prevent traffickers from turning to alternative chemical source countries when transactions in one country are denied.

Many governments consider chemical control a trade issue to be handled by trade ministries/agencies with a bias towards promoting, not regulating trade. If these ministries do not allow sufficient scope for regulatory and law enforcement measures in support of chemical control, they may unwittingly undermine this effective antidrug strategy. Trade ministry tends to reinforce the reluctance of companies to share information with their governments that will in turn be shared with other governments, for fear of its reaching competitors. This concern is unfounded. There is no evidence that the substantial multilateral chemical information exchange system now in place has been abused by states or firms to gain competitive advantage.

To be effective, multilateral chemical control mechanisms must provide for the exchange of information necessary for the full implementation of national chemical control regimes, including procedures for identifying and bringing under control substitute chemicals, while respecting the legitimate commercial interests involved. A key element is greater recognition that chemical control is also a law enforcement strategy to be administered in cooperation with law enforcement agencies to curb criminal activity.

To reinforce these multilateral mechanisms, countries must also establish effective national chemical control regimes, with administrative structures to support them.

International Framework for Chemical Control

The need for chemical control has been internationally accepted. Article 12 of the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988 UN Drug Convention) establishes the obligation and international standards for parties to the Convention to control their chemical commerce to prevent diversion to illicit drug manufacture and to cooperate with one another. The two tables of the Annex to the Convention list 22 chemicals as those most necessary for drug manufacture and, therefore, subject to control.

In 1990, the Inter-American Drug Abuse Control Commission of the Organization of American States (CICAD) approved Model Regulations for the control of drug-related chemicals that set a high standard for government action. In June 1999, the Model Regulations were updated to cover all the chemicals included in the 1988 UN Drug Convention, and to strengthen domestic and international chemical controls and enforcement provisions and authorities. Many Latin American countries have adopted chemical control laws and regulations based on the CICAD Model Regulations.

The United States and other governments use the annual meetings of the United Nations Commission on Narcotic Drugs (CND) to promote international acceptance of chemical control and to highlight emerging chemical control concerns. The CND is also used to focus international attention on the use by traffickers of substitute chemicals in place of those controlled under international conventions, particularly in the manufacture of synthetic drugs such as methamphetamine.

The June 1998 "United Nations General Assembly Special Session Devoted to Countering the World Drug Problem Together" (UNGASS) was an important vehicle for promoting chemical control. Two of the five action plans adopted by the Special Session—those dealing with amphetamine-type stimulants and their precursors and the control of precursors—were directly connected to chemical control.

The U.S. has a chemical control agreement with the European Union, signed on May 28, 1997. It is particularly valuable in that it involves a 15-Member State organization representing many of the world's major chemical manufacturing and trading nations. It also importantly provides for the exchange of information on chemical transactions with third countries.

In 2000, Mexico and the United States initialed a Memorandum of Understanding on chemical control. The Memorandum awaits formal signature.

Diversion Methods

The huge trade in chemicals, both domestic and international, offers multiple opportunities for traffickers to obtain through diversion from legitimate commerce the chemicals they require. They use a variety of tactics, exploiting legal and regulatory weaknesses, to circumvent national chemical control laws and regulations. The following are some of the more common diversion methods.

- Chemicals are diverted from domestic chemical production to illicit in-country drug manufacture. This requires the domestic capacity to manufacture the needed chemicals, coupled with poor domestic controls on them.
- Chemicals are imported legally into drug-producing countries with official import permits and subsequently diverted. The failure of importing countries adequately to investigate legitimate end-use before issuing import permits, and the acceptance by exporting countries of import permits as sufficient proof of legitimate end-use without any effort at independent verifications make this possible.
- Chemicals are manufactured in or imported by one country, diverted from domestic commerce, and smuggled into neighboring drug-producing countries. Inadequate internal and import controls and weak border security make this type of diversion possible.
- Chemicals are mislabeled throughout a transaction, either domestic or international, as non-controlled chemicals. In this case, the diversion takes place at the manufacturer or distributor level. Poor domestic controls that permit the initial diversion, coupled with the inability of enforcement officials to verify the true nature of the chemicals, permit this form of diversion.
- Chemicals are shipped to countries or regions where no systems exist for their control. This occurs because some chemical source countries do not insist that exports of controlled chemicals be only to countries that have in place viable, countrywide regulatory systems.

These tactics are masked by the use of front companies, false invoicing, multiple transshipments, use of free trade zones, and any other device that will conceal the true nature of the product, its ultimate recipient or its final end-use.

There is some recycling of the solvents used in illicit drug manufacture; recycling cannot be used for acids, alkaline materials or oxidizing agents. Since recycling requires some sophistication, and there is a loss of chemical with each recycling process, it is not a preferred method for unsophisticated heroin and cocaine laboratories. The chemicals used in the manufacture of synthetic drugs such as methamphetamine and ecstasy can not be recycled.

2000 Chemical Diversion Trends

Recognition of the importance of chemical tracking operations was one of the major developments in chemical diversion control in 2000. In such operations, chemical producing, exporting, transit, and importing countries cooperate in tracking shipments of key drug precursor chemicals to prevent their diversion. To be effective, tracking operations must be directed at a chemical central to the manufacture of illicit drugs and difficult to substitute in the manufacturing process. They must also include the participation of all the major countries involved in that chemical's production, trade and ultimate end-use.

Operation Purple, a voluntary initiative launched in 1999 to track shipments over 100 kilograms of the key cocaine precursor potassium permanganate, demonstrated the effectiveness of this strategy. In the first eight months of 2000, Operation Purple tracked 597 shipments totaling over 16,000,000 kilograms of potassium permanganate. Of these, 51 shipments were stopped or seized. In 1999, from its inception on April 15 through the end of the year, the figures were 248 shipments tracked, totaling 7,778,000 kilograms, and 32 shipments stopped or seized. During 2000, participation in Operation Purple grew from 18 to 28 countries, ICPO/INTERPOL, and the World Customs Organization. The UN International Narcotics Control Board has assumed the role of central coordinator of the operation.

One indication of the impact of Operation Purple is chemical analysis of recent cocaine seizures showing that only eight percent were highly oxidized. Formerly, 80-90 percent was in the highly oxidized range. Potassium permanganate is needed for oxidation. Highly oxidized cocaine is very white and fluffy. Lower oxidation results in a dark, lumpy and less attractive product. Another indication is that traffickers are attempting to manufacture their own potassium permanganate. In 2000, three clandestine potassium permanganate laboratories were uncovered in Colombia.

The Precursor Chemical Action Plan, adopted by the June 1988 UNGASS, identified potassium permanganate and acetic anhydride for controls stricter than those required by the 1988 UN Drug Convention. Specifically, exporting countries would be required to provide pre-export notification of any shipment of the chemical when requested by the importing country. This provision was a major factor in gaining initial acceptance of Operation Purple. Its subsequent success is increasing acceptance and participation.

The U.S. introduced a resolution, adopted by the March 2000 UN Commission on Narcotic Drugs, that lauded the success of Operation Purple, urged increased participation, and suggested a similar initiative be considered for the key heroin precursor chemical acetic anhydride. The special mention of the chemical in the UNGASS action plan was important to the resolution's adoption.

In response, the UN International Narcotics Control Board in October 2000 organized a meeting of chemical diversion experts in Antalya, Turkey to consider a tracking operation for acetic anhydride. Turkey hosted the meeting, assisted in its organization and provided generous support. The meeting noted the differences between potassium permanganate and acetic anhydride: acetic anhydride is more widely manufactured, has more commercial uses, and is traded more extensively in international markets. Also, heroin is manufactured in more areas of the world, whereas cocaine manufacture is concentrated in the Andean region.

The meeting decided, despite the greater difficulties, to proceed with an acetic anhydride tracking operation modeled on Operation Purple, called Operation Topaz. A steering group subsequently elected India and the United Kingdom as co-chairs, established 100 liters as the minimum shipment size to be tracked, and agreed to begin the operation on March 1, 2001.

In 2000, Afghanistan solidified its position as the world's largest producer of heroin. As part of a concerted effort to curb this production, the U.S. proposed a provision in a UN Security Council sanctions resolution prohibiting the "sale, supply or transfer" of acetic anhydride to the Taliban-controlled areas of Afghanistan. Since Afghanistan today has no legitimate industrial requirements for acetic anhydride, shipments of the chemical reaching the country are being used for heroin manufacture. The resolution as adopted (UNSCR 1333) included the U.S. proposal. While this will not

stop chemical smuggling, it puts acetic anhydride producing, trading and transit countries on notice that they should not authorize exports of the chemical to, or permit its transit through their territories to the Taliban-controlled areas of Afghanistan.

The continuing growth in the abuse of synthetic drugs such as amphetamine-type-stimulants (ATS) and ecstasy was noted by the July 2000 G-8 Summit held in Okinawa, Japan. Abuse of ecstasy is more prevalent in Europe, while ATS abuse is more so in Asia and North America, although ecstasy abuse is also rising in these regions. The summit leaders called for an expert level meeting to consider the problem. Japan organized and hosted the meeting in December 2000. In addition to G-8 members, experts from the European Union and the United Nations International Drug Control Program participated.

The G-8 experts identified chemical control as a major countermeasure against synthetic drug manufacture and trafficking. Among the measures considered were a tracking operation for key synthetic drug precursor chemicals, greater cooperation with industry in identifying suspicious orders, and the rapid multilateral sharing of information to identify non-controlled chemicals being substituted for controlled chemicals in the illicit synthetic drug manufacture. G-8 members intend to use the annual UN Commission on Narcotic Drugs meeting (March 2001) to promote these ideas in this larger forum of countries most concerned with drug issues.

The Road Ahead

The development of tracking operations targeting specific chemicals has increased acceptance of chemical diversion control as an important counternarcotics strategy. Their success, and the fact of little or no opposition from industry, is also muting the reluctance of some governments, on commercial grounds, to exchange information on international chemical transactions.

Operation Purple, tracking potassium permanganate, needs to be expanded in 2001 to include non-participating countries now receiving increased shipments of potassium permanganate. Operation Topaz, the new operation to track acetic anhydride, needs to be promoted to encourage widespread participation. The recommendations resulting from the G-8 experts meeting in Japan on synthetic drugs need to be promoted during the March 2001 Commission on Narcotic Drugs meeting. That session will also be an opportunity to stress the ban on acetic anhydride shipments to Afghanistan under the UN Security Council Taliban sanctions resolution, and to exchange ideas on how to make it most effective.

The focus on specific chemicals, however, should not be at the expense of attention to the other chemicals included in the 1988 UN Drug Convention. The need for adequate controls on all chemicals included in the 1988 UN Drug Convention remains a priority. More work also needs to be done at the national and international level in the identification and control of substitute chemicals, particularly those used in the manufacture of synthetic drugs.

Major Chemical Source Countries

The countries discussed in this section are those with large chemical manufacturing and trading industries that have significant trade with drug-producing regions, and those countries with significant chemical commerce susceptible to diversion domestically and smuggling into neighboring drug-producing countries. Designation as a major chemical source country does not indicate a country lacks adequate chemical control legislation and 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.

Many other countries manufacture and trade in precursor chemicals, but not on the scale, or with the broad range of precursor chemicals, of the countries in this section. These designations are reviewed annually. The United States, with its large chemical industry and extensive trade with drug-producing regions, is included this year.

Article 12 of the 1988 UN Drug Convention is the international standard for national chemical control regimes and for international cooperation in their implementation. The Annex to the Convention lists the 22 chemicals most essential to illicit drug manufacture. The Convention includes provisions for maintaining records on transactions involving such chemicals, and provides for their seizure if there is sufficient evidence that they are intended for illicit drug manufacture.

Western Hemisphere

Argentina

Argentina has a well-developed chemical industry that exports to customers throughout Latin America. The industry produces most of the chemicals required for cocaine manufacture, the exceptions being potassium permanganate and chloroform. Argentina is a party to the 1988 UN Drug Convention. A 1989 law meets the Convention's requirements for record keeping, import and export licensing, and the authority to suspend shipments. Presidential decrees in 1991 and 1996 added the requirement that all manufacturers, importers, exporters, distributors, and transporters be registered with the Secretariat for the Prevention of Drug Addiction and Narcotics Trafficking (SEDRONAR).

Until recently, not much was done to verify the bona fides of chemical transfers. SEDRONAR remains short of resources and little is done to verify the legitimacy of transactions in controlled chemicals. There have been very few investigations into suspicious chemical transfers. SEDRONAR, however, has begun to rebuild a national database of producers and distributors to gain a better understanding of the scope of the problem and has formed an eight-person chemical investigative unit.

The Buenos Aires Provincial Police also regard chemical enforcement as a significant priority and have taken the initiative in establishing a chemical import/export information base.

In 1999, a large seizure of Argentine chemicals was made in Bolivia and an additional 25,000 liters of acetone were seized at the border between Argentina and Bolivia. Seizures were down in 2000 to 2,702 liters.

Argentine authorities share chemical control information with U.S. officials on request. Argentina has also proposed to its neighbors that they work more closely together to monitor flows of chemicals in the region.

Brazil

Brazil has South America's largest chemical industry. In addition, it imports significant quantities of chemicals to meet its industrial needs.

Brazil ratified the 1988 UN Drug Convention in 1991, but it has not yet adopted legislation necessary to fully implement it. National chemical control laws require registration with the Federal Narcotics Police of chemical producers, transporters and distributors. A 1995 law places 11 chemicals under federal control (24 more are under consideration), sets minimum thresholds for record keeping and reporting of transactions in them, and provides for import and export licenses. There are substantial administrative penalties for non-compliance. While compliance with the permit process appears to be widespread, a lack of resources hinders active follow-up on shipments. Authorities are largely dependent on chemical companies for information on shipments of controlled chemicals such as acetone and either to neighboring Bolivia, Colombia and Peru.

The Brazilian Federal Police have initiated several programs aimed at controlling and preventing diversion of chemicals from Brazil to neighboring cocaine producing countries. The police have also organized precursor chemical training courses, including a one-week course conducted by DEA, and have initiated cyclical audits and investigations of Brazilian chemical firms. The police believe some trafficking organizations may be investing in cocaine processing labs in Brazil to process coca leaf and/or cocaine base smuggled from neighboring countries using chemicals diverted from Brazilian domestic commerce.

Brazil has established procedures under which records of transactions of precursor and essential chemicals can be made available to other countries' law enforcement authorities. The U.S./Brazilian Counternarcotics Agreement provides the formal basis for bilateral cooperation in chemical control, including information sharing. Brazil also participates in Operation Purple, the multilateral potassium permanganate tracking operation, and will participate in Operation Topaz, the new acetic anhydride tracking operation.

Mexico

Mexico has major chemical manufacturing and trading industries that produce, import or export most of the chemicals necessary for illicit drug manufacture. Mexico is an importer and transit country for potassium permanganate from Asia to other Latin American countries. It is an important entry and transit point for ephedrine, pseudoephedrine and phenylpropanolamine used in the illicit manufacture of amphetamine-type-stimulants in Mexico and the U.S.

Comprehensive chemical control legislation adopted in 1997 places 24 chemicals under government regulation: 13 precursor chemicals used in the manufacture of synthetic drugs and 11 essential chemicals used in refining opium and coca leaf into heroin and cocaine. In September 1999, implementing regulations were published which defined reporting and notification requirements for both the import and export of these chemicals, explained what constituted end-use, and authorized Mexican government agencies to share information with other governments. These laws and regulations meet the requirements of the 1988 UN Drug Convention to which Mexico is a party.

The U.S. and Mexico have established a bilateral chemical control working group as a formal mechanism for cooperation and information exchange in chemical control matters. In 2000, the group focused on drafting a Memorandum of Understanding (MOU) between the two governments to formalize information exchange. The MOU was initialed as an indication of agreement in principle, but not signed by both governments during the August 8, 2000 meeting of the High Level Contact Group. Mexico is a participant in Operation Purple, the multilateral initiative targeting potassium permanganate, and exchanges information on transactions in that chemical within the context of the operation.

Although a comprehensive regulatory and penal regime is in place for chemicals, enforcement is weak. Chemical investigations are splintered among eight government entities, leading to information gaps, duplication of effort, and lack of accountability. The lack of field inspections and investigations makes identification and prosecution of violators difficult.

The United States

The United States manufactures and/or trades in all 22 chemicals listed in the Annex to the 1988 UN Drug Convention. It is a party to the Convention and has laws and regulations meeting its chemical control provisions.

The basic U.S. chemical control law is the Chemical Diversion and Trafficking Act of 1988. This law and three subsequent chemical control amendments were all designed as amendments to the U.S. controlled substances laws rather than stand-alone legislation and are administered by the Drug Enforcement Administration (DEA). In addition to registration and record keeping requirements, the legislation requires traders to file an import/export declaration at least 15 days prior to shipment of regulated chemicals. DEA uses the 15-day period to determine if the consignee has a legitimate need for the chemical. Chemical diversion investigators are assigned to DEA offices in 10 key countries and one at INTERPOL to assist in determining legitimate end-use. In other countries, DEA agents perform this task. The diversion investigators and agents work closely with host country officials in this process. If legitimate end-use cannot be determined, the legislation gives DEA the authority to stop shipments.

The legislation also requires chemical traders to report to DEA suspicious transactions such as those involving extraordinary quantities, unusual methods of payments, etc. Close cooperation has developed between the U.S. chemical industry and DEA in the course of implementing the legislation.

The U.S. aggressively implements its chemical control system, using the administrative, civil and criminal sanctions available in the law. One operation, Operation Backtrack traces chemicals seized at clandestine laboratories and dumpsites back through the chain of commerce to the businesses and persons who handled the chemicals. In the last four years, the Backtrack enforcement program has supported operations leading to 421 arrests, the seizure of 192.2 million pseudoephedrine tablets (weighing 11.5 metric tons), and the seizure of over \$18 million.

DEA actively carries out its responsibility for scrutiny of businesses applying for

registration to distribute precursor chemicals. It seeks revocations of the registrations of firms that have repeatedly violated the applicable laws and regulations. Since the beginning of 2000, DEA has initiated 31 administrative procedures to revoke registrations; ten of these firms have either surrendered their registrations, waived a hearing, or abandoned the business.

The U.S. has been active in initiating and supporting cooperative multilateral chemical control initiatives. The United States chaired the G-7 Chemical Action Task Force whose 1990 report established many of the standards and procedures now applied to international chemical control. The Multilateral Chemical Reporting Initiative, which provides the information exchange procedures for subsequent chemical tracking operations, was a U.S. initiative. DEA organized the two international conferences in 1999 that resulted in Operation Purple, the potassium permanganate tracking operation. The U.S. participated in and supported the meeting in 2000 organized by the International Narcotics Control Board to plan Operation Topaz, the acetic anhydride tracking operation.

Asia

China

China has a major chemical industry. It is the world's largest producer of potassium permanganate, a key cocaine essential chemical, and it is a major producer of acetic anhydride and ephedrine, two other important precursor chemicals. The country is a party to the 1988 UN Drug Convention and has regulations for record keeping and import/export controls on the 22 chemicals included in the convention. Several provinces, including Yunnan (which shares a border with Burma), have more stringent controls than called for in the Convention. Yunnan, for example monitors exports of 28 chemicals. China also requests "letters of no objection" from importing countries prior to authorizing exports of methamphetamine precursor chemicals.

China actively cooperates with multilateral initiatives to control chemicals in international commerce, and it has been a strong partner with the U.S. and other countries in implementing a system of notification of dual-use chemicals. It reports the highest number and largest quantities of potassium permanganate shipments to the Operation Purple control system. It will participate in Operation Topaz, the acetic anhydride tracking initiative.

Record seizures in China of amphetamine-type-stimulants (ATS) indicate equally large diversions from domestic commerce of the chemicals required for their manufacture. Diversions from domestic commerce smuggled across China's 2,000 kilometer border with Burma are also a source of the chemicals for Burma's surging ATS manufacture. Domestically diverted acetic anhydride is also reaching Burmese heroin labs.

China cooperates closely with the U.S. on chemical control issues. The two sides have in place a strong pre-export notification system for ephedrine and pseudoephedrine. Chinese officials routinely take part in chemical control courses sponsored by the Department of State and taught by DEA. Information is exchanged through mechanisms such as Operation Purple and in the course of normal counternarcotics cooperation.

India

The Indian chemical industry includes large-scale manufacture, consumption and export of chemicals required for illicit drug manufacture. India is a party to the 1988 UN Drug Convention, but it does not have legislation meeting all the Convention's chemical control provisions or covering all 22 chemicals in its annex.

Indian chemical control initiatives concentrate on the chemicals most likely to be diverted, acetic anhydride for heroin manufacture in Afghanistan and neighboring Burma, and ephedrine and pseudoephedrine for amphetamine-type-stimulants in Burma.

Exports of seven important precursor chemicals, including potassium permanganate, used in cocaine manufacture, acetic anhydride, and ephedrine and pseudoephedrine, require a certificate of no-objection from the Central Bureau of Narcotics. Imports of four important chemicals, including acetic anhydride, also require no-objection certificates.

India has made significant progress in controlling the production and export of the chemicals currently regulated. Indian authorities and DEA have a good working relationship. The Indian authorities have been very cooperative with DEA in sharing information from no-objection certificates and verifications of end-users, especially regarding ephedrine and pseudoephedrine and potassium permanganate. India continues to notify DEA of seizures of Indian produced chemicals and to provide samples of seized heroin for analysis as part of DEA's Heroin Signature Program.

India is a participant in the potassium permanganate tracking program, Operation Purple, and co-chairs the steering committee for Operation Topaz, the acetic anhydride tracking program scheduled to begin March 1, 2001.

Europe

Chemical diversion control within the European Union (EU) is regulated by two EU regulations binding on all Member States. The first, issued in 1990, meets the chemical control provisions of the 1988 UN Drug Convention. The second, issued in 1992, expanded the first to incorporate the more comprehensive recommendations contained in the 1991 G-7 Chemical Action Task Force Report. The EU regulations include provisions for record keeping on transactions in the chemicals listed in the 1988 UN Drug Convention, require a system of permits or declarations for exports and imports of regulated chemicals, and authorize governments to suspend chemical shipments. EU member states implement the regulations through national laws and regulations.

The EU regulations govern the regulatory aspects of chemical diversion control. Member States are responsible for the criminal aspects, investigating and prosecuting violators of the national laws and regulations implementing the EU regulations.

The U.S./EU Chemical Control Agreement, signed May 28, 1997, is the formal basis for U.S. and EU Member State cooperation in chemical control. The agreement calls for annual meetings of a Joint Chemical Working Group to review implementation of the agreement and to coordinate positions in other areas. The annual meeting has been particularly useful in coordinating national or joint initiatives such as resolutions at the annual UN Commission on Narcotic Drugs.

The U.S.'s bilateral chemical control cooperation is also good with the Member States, and many are participating in and actively supporting voluntary initiatives such as the Multilateral Chemical Reporting Initiative, Operation Purple and the new Operation Topaz.

Germany and The Netherlands, with large chemical manufacturing or trading sectors and significant trade with drug-producing areas, are considered the major European chemical source countries. Other European countries have important chemical industries, but the level of chemical trade with drug-producing areas is not as large and broad-scale as that of Germany and The Netherlands.

Germany

Germany's large chemical industry manufactures and trades in most of the precursor and essential chemicals used in illicit drug manufacture, making it a target for traffickers seeking chemicals. It is a party to the 1988 UN Drug Convention, and its chemical industry complies with government regulations ratified in 1993, which are in accord with the EU regulations and meet convention requirements.

The Federal Police in cooperation with German Customs have a very active joint unit based in Wiesbaden that solely handles chemical diversion investigations. In the last five years, German authorities prevented the diversion of 900 tons of controlled chemicals. In November 2000, German authorities seized 452 kilograms of the ecstasy precursor PMK at the Frankfurt airport.

Germany has been in the forefront of international cooperation in chemical control. It developed and promoted the concept that led to Operation Purple (the potassium permanganate tracking operation) and co-chairs its Steering Committee. Germany actively participated in the organization of Operation Topaz, the acetic anhydride tracking operation scheduled to begin March 1, 2001. U.S. and German delegations work together closely and supportively in international meetings.

A senior DEA chemical diversion investigator was posted to Germany in 1999. The investigator works with the joint police/customs unit. The result is excellent information

exchange bilaterally, within the context of the U.S./EU Chemical Control Agreement, and during special operations, such as Operation Purple.

The Netherlands

Large volumes of chemicals are traded through The Netherlands into international markets. There are large storage facilities to handle these chemicals, and Rotterdam is the world's busiest port. Transshipments, brokered transactions, rapid changes of ownership, commercial urgency to approve transactions, and other normal commercial activities all contribute to the possibilities for diversion in international trade. The large amount of synthetic drugs produced in The Netherlands indicates that there is domestic diversion or smuggling from abroad to provide the required chemicals.

The Netherlands is a party to the 1988 UN Drug Convention and has legislation meeting the chemical control requirements of the Convention and the EU regulations. A National Coordinating Committee on Chemical Precursors, led by the Ministry of Finance, was established in 1999 to improve cooperation and coordination between the five ministries dealing with chemical control. The Netherlands supports and participates in multilateral chemical control initiatives such as Operations Purple and Topaz.

U.S. and Dutch authorities cooperate closely on bilateral matters, in multilateral operational initiatives and in international meetings such as the Commission on Narcotic Drugs. Information is exchanged in the context of the U.S./EU Chemical Control Agreement and informally at the operational level.

Major Heroin and Cocaine Manufacturing Countries

The manufacture of heroin and cocaine requires significant quantities of chemicals. Most major manufacturing countries for these illicit drugs do not produce all the required chemicals, and traffickers must meet the majority of their chemical requirements from external sources. This section summarizes the sources of chemicals used in heroin and cocaine manufacturing countries and their initiatives to control these chemicals.

Asia

Afghanistan

Afghanistan is the world's largest manufacturer of heroin. The chemicals required for this manufacture must come from abroad. Although Afghanistan is a party to the 1988 UN Drug Convention, there is no viable chemical control system.

Europe, the Central Asian States and India are the principal sources for chemicals, either shipped directly to Afghan entities or to nearby countries and smuggled into Afghanistan. The Central Asian States and Persian Gulf countries have been used as smuggling routes.

The 2000 UN Security Council Taliban sanctions resolution includes a provision prohibiting "the sale, supply or transfer" of acetic anhydride, a key heroin chemical, to the Taliban-controlled areas of Afghanistan. In view of this provision, Afghan traffickers will have to rely increasingly on smuggling to meet their chemical requirements.

Burma

Burma is number two in worldwide heroin production after Afghanistan. It is becoming an important manufacturer of amphetamine-type-stimulants (ATS) to meet growing demand, primarily in Southeast Asia. Burma is a party to the 1988 UN Drug Convention, but it does not have a viable system in place to satisfy its chemical control provisions. The bulk of the key chemicals required for illicit drug manufacture, most importantly acetic anhydride for heroin and ephedrine for ATS, are smuggled across porous borders from China and India, where they were diverted from domestic commerce.

Latin America

Bolivia

Drug traffickers in Bolivia rely largely on chemicals smuggled into the country from neighboring countries to process coca leaf into cocaine products. Diversion from licensed imports is considered small.

Bolivia is a party to the 1988 UN Drug Convention and has the legal framework for implementing its chemical control provisions. The Bolivian Police have a highly effective interdiction program which has forced traffickers to rely on inferior substitutes for scarce and expensive smuggled chemicals, and to streamline the base cocaine HCl production process, by omitting or reducing steps such as oxidation which requires potassium permanganate. The result is that average purity levels are decreasing and the final product is being cut with fillers to increase weight. Because of the chemical shortage, Bolivian base is also being smuggled into Brazil for final processing with chemicals diverted from Brazilian domestic commerce.

Bolivia participates in both the Multilateral Chemical Reporting Initiative and Operation Purple.

Colombia

Colombia is the world's largest producer of cocaine and an important producer of heroin. This requires chemicals, most of which are imported into the country with facially valid import licenses and subsequently diverted. Lesser amounts are smuggled in from neighboring countries, Brazil, Ecuador and Venezuela.

Colombia is a party to the 1988 UN Drug Convention, and the country's chemical control laws meet or exceed the provisions of the Convention. However, the system for issuing import permits weakens implementation. The permits are not reliable proof that the legitimate end-use for controlled chemicals has been verified prior to their issuance. The permits are also issued for lengthy time periods, rather than on a shipment-by-shipment basis. DEA now requires documentation identifying the ultimate consignee and the end-use for all U.S. exports, and transshipments through the U.S., to Colombia of potassium permanganate and the solvents necessary for cocaine production before shipments may proceed.

During 2000, Colombian authorities made further efforts to improve implementation of chemical control laws. In addition to conducting inspections and criminal investigations of registered chemical companies, the Colombian National Police conducted nationwide operations targeting chemical companies authorized to handle potassium permanganate and acetic anhydride, key cocaine and heroin chemicals, in order to determine their legitimate industrial needs. These operations uncovered some instances of diversion, and authorities have taken steps to monitor the quotas of regulated chemicals imported and distributed by Colombia chemical companies.

Colombia participates in Operation Purple, the multilateral potassium permanganate tracking operation, and will participate in Operation Topaz, the acetic anhydride operation. One measure of the success of Operation Purple and the efforts of Colombian authorities was the discovery of three clandestine potassium permanganate production laboratories operated by traffickers to replace the chemicals previously available from other sources.

Peru

Most of the chemicals required for cocaine base manufacture, but not cocaine HCl, are produced in Peru. The country is a party to the 1988 UN Drug Convention and has laws meeting its chemical control provisions.

DEA credits Peru with one of the best chemical control systems in Latin America. In 2000, the Peruvian National Police Chemical Control Unit conducted over 1,000 regulatory and criminal investigations of suspected chemical companies, making 41 arrests, seizing over 158 metric tons of controlled precursor chemicals, and closing six chemical companies.

Peru participates in Operation Purple, the potassium permanganate tracking operation.

The authorities have made a special effort to track this chemical internally and have detected numerous incidents of diversion, primarily from the mining and poultry industries.

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Money Laundering and Financial Crimes

Introduction

Overall anti-money laundering efforts in the year 2000 made progress across two broad fronts. The international community demonstrated its resolve to confront money laundering by showing a strong commitment to work collectively to address the problem while seeking to isolate those countries and jurisdictions that lack this commitment. In this regard, the year 2000 marked a milestone in international cooperation on fighting money laundering as the Financial Action Task Force (FATF)(1) publicly released a list of 15 countries and territories that were found to be non-cooperative in the international fight against money laundering. At the conclusion of its June 2000 plenary meeting, the FATF published a report that stated that these 15 countries and territories had "serious systemic problems with money laundering controls and that they must improve their rules and practices as expeditiously as possible or face possible sanctions." Following publication of this report, the United States, its G-7 partners and other FATF members issued advisories, notices or other various communications alerting the financial institutions in their countries about the money laundering risks they face in the "non-cooperating" jurisdictions.

The publication of the FATF report represents the first step in an ongoing process to bring international financial centers into compliance with international anti-money laundering standards. The development of a consensus among the FATF membership was the result of a five-month process in which FATF evaluated the anti-money laundering systems of numerous countries in order to identify those anti-money laundering efforts that fail to meet international norms. The willingness of the FATF members to agree on this list demonstrates the seriousness of the money laundering problem in those jurisdictions and the commitment of the members to address it in a meaningful way.

This exercise has already shown positive results. Since the list was published, seven of the 15 jurisdictions have enacted all or almost all of the legislation needed to address deficiencies identified by the FATF, and now must demonstrate effective implementation of the legislation. Several other jurisdictions have enacted some relevant legislation to address the deficiencies identified by FATF. These jurisdictions are commended for beginning their legislative processes, and are encouraged to continue to work toward developing comprehensive anti-money laundering regimes that meet international standards. The FATF will be assessing the progress made by all listed jurisdictions to determine whether any should be removed from the list and will also continue its review process to determine whether any new countries should be added.

Further international commitment was reflected in additional advances by FATF and FATF-like regional bodies. Three countries—Argentina, Brazil and Mexico—joined FATF, increasing its membership to 29 nations. In addition, two new regional FATF-like bodies were created to extend the fight against money laundering. The Financial Action Task Force against Money Laundering in South America and the Eastern and Southern African Anti-Money Laundering Group were formed in 2000, increasing the number of regional bodies to five.

The December 2000 signing of the United Nations Convention against Transnational Organized Crime in Palermo, Italy represents another significant development in the effort to promote international cooperation against money laundering and other forms of organized crime. The Convention was signed by over 125 countries, including the United States, and will enter into force after forty have become parties. This Convention includes many significant provisions with respect to money laundering and international cooperation in financial investigations. Once again, the drafting and signing of this Convention demonstrate the recognition by the international community that it must stand together to

effectively fight international organized crime and money laundering.

(1)The Financial Action Task Force on Money Laundering is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering.

The relationship between money laundering and foreign corruption was highlighted in the U.S. National Money Laundering Strategy for 2000, which called for numerous actions to be taken in this area. Most significantly, the Department's of Treasury and State, and the federal bank regulators issued guidance to help U.S. financial institutions avoid transactions that may involve the proceeds of foreign official corruption. The importance of such guidance was reinforced by the publication last year of a report by the Swiss Federal Banking Commission. The report detailed how 19 banks that operate in Switzerland handled almost \$1 billion in funds relating to corruption by the former ruler of Nigeria, General Sani Abacha. The report criticized several of the banks for weaknesses in their account-opening procedures or monitoring and reporting mechanisms. The report noted that "[t]he Abacha case is a clear example of the international dimensions of the issue of the deposit of corruption proceeds in the financial system."

In 2000, the political and diplomatic anti-money laundering efforts were complemented by an initiative from the private sector. In October 2000, eleven world money center banks agreed to a set of anti-money laundering guidelines—the "Wolfsberg Anti-Money Laundering Principles"—for private banking activities. The guidelines state at the outset that "bank policy will be to prevent the use of its world-wide operations for criminal purposes." The participating banking organizations are hopeful that other banking organizations and financial institutions will adopt the anti-money laundering principles that have been developed.

The FATF initiatives, the United Nations Convention against Transnational Organized Crime and the Wolfsberg Principles were some of the highlights from 2000 that have made contributions to stemming the flow of illegal proceeds around the globe. These international efforts should yield even greater results in the year to come.

Why We Must Combat Money Laundering

Money laundering is necessitated by the requirement for criminals, be they drug traffickers, organized criminals, terrorists, arms traffickers, blackmailers, or credit card swindlers, to disguise the origin of their criminal money so that they can use it more easily. Money laundering generally involves a series of multiple transactions used to disguise the source of financial assets so that those assets may be used without compromising the criminals who are seeking to use the funds. These transactions typically fall into three stages: (1) Placement, the process of placing, through deposits, wire transfers, or other means, unlawful proceeds into financial institutions; (2) Layering, the process of separating the proceeds of criminal activity from their origin through the use of layers of complex financial transactions; and (3) Integration, the process of using an apparently legitimate transaction to disguise the illicit proceeds. Through this process the criminal tries to transform the monetary proceeds derived from illicit activities into funds with an apparently legal source.

Money laundering has devastating social consequences and is a threat to national security. It provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials and other criminals to operate and expand their criminal enterprises. Crime has become increasingly international in scope, and the financial aspects of crime have become more complex, due to rapid advances in technology and the globalization of the financial services industry. Modern financial systems, in addition to facilitating legitimate commerce, permit criminals to order the transfer of millions of dollars instantly, using personal computers and satellite dishes. The criminal's choice of money laundering vehicles is limited only by his or her creativity. Money is laundered through currency exchange houses, stock brokerage houses, gold dealers, casinos, automobile dealerships, insurance companies, and trading companies. Private banking facilities, offshore banking, shell corporations, free trade zones, wire systems, and trade financing all have the ability to mask illegal activities. In doing so, criminals manipulate financial systems in the United States and abroad.

Unchecked, money laundering can erode the integrity of a nation's financial institutions. Due to the high integration of capital markets, money laundering could also adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher.

Ultimately, this laundered money flows into global financial systems where it could undermine national

economies and currencies. Money laundering is thus not only a law enforcement problem but poses a serious national and international security threat as well.

There is now worldwide recognition that we must deal firmly and effectively with increasingly elusive, well-financed and technologically adept criminals who are determined to use every means available to subvert the financial systems that are the cornerstone of legitimate international commerce. The continued abuse of some offshore financial centers, the proliferation of on-line Internet banking and Internet gambling have further enhanced the need to scrutinize new technologies to combat money laundering schemes.

Money launderers also negatively impact jurisdictions by reducing tax revenues through underground economies, competing unfairly with legitimate businesses, damaging financial systems, and disrupting economic development. Money laundering is now being viewed as a central dilemma in dealing with all forms of international organized crime because financial gain means power. Fighting money launderers not only reduces financial crime; it also deprives criminals and terrorists of the means to commit other serious crimes.

The United States and other nations are victims of tax evasion schemes that use various financial centers around the world and their bank secrecy laws to hide money from tax authorities, thus undermining legitimate tax collection. Financial centers that have strong bank secrecy laws and weak corporate formation regulations, and that do not cooperate in tax inquiries from foreign governments, are found worldwide. These financial centers, known as "tax havens," thrive in providing sanctuary for the deposit of monies from individuals and businesses that evade the payment of taxes in their home jurisdictions and allow them to keep the money they have deposited from the knowledge of tax authorities. Billions of funds on which tax is properly due, denominated in various currencies, are held on deposit in these tax havens.

Both tax evasion and money laundering are activities that are aided by financial centers that have strong bank secrecy laws and a policy of non-cooperation with foreign law enforcement authorities, as is the case with some jurisdictions with offshore financial centers.

Offshore Financial Centers

Background

Nearly sixty jurisdictions, scattered around the globe, comprise the constantly expanding offshore financial services sector. A recent study found that by the end of 1997, the share of cross-border assets held in the offshore sector (\$4.8 trillion) accounted for more than half of all cross-border assets held globally.⁽¹⁾

(1) Luca Errico and Alberto Musalem, Working paper of the International Monetary Fund, "Offshore Banking: An Analysis of Micro-and Macro-Prudential Issues", 1999, p.10.

The attention of many multilateral entities concerned with global financial stability in an increasingly interdependent financial system has been focused on more than just the sheer volume of cross-border assets held by the offshore financial centers (OFCs). While this discussion is not intended to suggest that OFCs, as a class, are all unregulated or all centers of illegal financial activity, the nature of the regulatory and legal regimes in a number of OFCs can be viewed as problematic, as are some of the services and products provided in many OFCs. In particular, the lack of transparency that characterizes many of the OFCs⁽¹⁾ has acted as a powerful magnet attracting governments, groups and individuals desiring to hide their financial activity from public scrutiny.

Although there is little consensus regarding the exact definition of an offshore financial center, certain characteristics distinguish traditional onshore financial centers from those termed "offshore." First, offshore financial centers are in almost all cases, segregated from the normal banking structure of the jurisdiction. The vast majority of jurisdictions offering offshore financial services restrict access to these services and products to non-residents, thereby creating a parallel system within their own borders. Many jurisdictions with OFCs conduct financial transactions only in currencies other than the local currency. OFCs also differ from onshore jurisdictions in their regulatory regimes and in their legal frameworks. Many OFCs lack the stringent regulatory and supervisory regimes found in developed onshore jurisdictions. In the majority of OFCs, banks are not required to adhere to a wide range of regulations normally imposed on onshore banks.

Formation of a bank is more easily accomplished in most OFCs; it is even reported that in some jurisdictions a bank can be formed, registered and its ownership placed in the hands of nominee directors via the Internet. However formed, there are few, if any, disclosure requirements; bank transactions are free of exchange and interest rate restrictions; minimal or no capital reserve requirements are required; and transactions are mostly tax-free.

Some 4000 banks are thought to have been licensed and registered globally in the offshore sector by December 1998.⁽²⁾ How many are merely "plaque banks," (banks without an actual physical presence in the jurisdiction in which they are registered) is not currently known, although the United Nations Global Program Against Money Laundering is currently collecting that data. In many OFCs, non-bank financial industries, such as the insurance and securities industries, are subject to even less, if any, regulation than is the banking industry.

While there are many well-regulated OFCs, a principal attraction is often the existence of legal frameworks designed to obscure the identity of the beneficial owner, to promote regulatory and supervisory arbitrage, and to provide mitigation or evasion of home-country tax regimes. Some of these OFCs offer the ability to form and manage confidentiality of a variety of international business companies (IBCs) and exempt companies, trusts, investment funds and insurance companies, many with nominee directors, nominee officeholders and nominee shareholders. When combined with the use of bearer shares and "mini-trusts" (the latter are instruments used to further insulate the beneficial owner while bridging the ownership and management of the corporate entity), IBCs can present impenetrable barriers to law enforcement.⁽³⁾

(1) The term "offshore financial center" (OFC) is generally thought to describe an entire jurisdiction. However, there are important OFCs located with the borders of jurisdictions. "OFC" in this report is used to describe both cases. OFCs maintain that their carefully crafted laws and regulations provide beneficial business and financial planning options for their clients. These include, but are not limited to: sophisticated trade financing; estate planning for high net worth individuals; tax mitigation for individuals and corporations; avoidance of exchange controls; liability containment for ships and airplanes; sophisticated insurance management options; investment opportunities that transcend home country marketing regulations; preservation of assets; investment of overnight funds; and freedom from certain home country regulatory requirements.

(2) Working paper of the United Nations Office for Drug Control and Crime Prevention, "*The United Nations Forum*", January 2000, p6. Of all offshore banks, 42% are located in the Caribbean and Latin America, 29% in Europe, 19 % in Asia and the Pacific and 10% in Africa and the Middle East.

(3) "IBC" is the term used to describe a variety of offshore corporate entities, which are restricted to transacting business outside the jurisdiction in which they are formed. IBCs are characterized by rapid formation, at low cost, with broad powers, low to no taxation, minimal or non-existent reporting requirements and secrecy. Many OFCs permit IBCs to issue bearer shares. The "UN Offshore Forum" paper estimated that of the nearly 2.5 million IBCs registered globally, 38% were registered in the Caribbean and Latin America, 25% in Europe, 29% in Asia and the Pacific and 8% in Africa and the Middle East.

This lack of transparency, coupled with a concomitant reluctance or refusal of many OFCs to cooperate with regulators and law enforcement officials from other jurisdictions, attracts those with both legitimate and illegitimate purposes. Drug traffickers, terrorists, money launderers, tax evaders and other criminals have found the OFCs a particularly inviting venue in which to conduct and conceal their activities.

The opacity of many offshore sectors makes financial supervision difficult. The Errico and Musalem 1999 working paper of the International Monetary Fund (IMF) concluded that the OFCs of Uruguay, Malaysia and Thailand contributed to the recent financial crises of Latin America and Asia by providing a hiding place for losses from loans of the international financial institutions. Another recent study demonstrates how the Russian Central Bank used an IBC formed in the Jersey OFC to mislead the IMF into thinking that Russia's currency reserves were higher than they actually were.⁽¹⁾

The increased opportunities new technology provides to those who wish to use the offshore sector for criminal purposes have galvanized intensive scrutiny of the offshore sector—generally by a variety of international organizations and multilateral task forces and bodies. Two prominent international bodies, the Financial Stability Forum and the Financial Action Task Force, published reports in 2000 that have already had a dramatic impact on the offshore sector.

Products and Practices

Although IBCs have served as the predominant instruments for committing financial crimes, a variety of types of trusts play important roles as well. One form of trust, the Asset Protection Trust (APT),

protects the assets of individuals from civil judgments in their home countries. A common provision of APTs is that challenges or claims against the assets of the trust must be brought before the courts of the jurisdiction of the APT domicile within a relatively short period of time (usually two years). Many APTs contain "flee clauses" providing for funds to be immediately transferred to another OFC if the APT is threatened by inquiry. Used in combination, IBCs, mini-trusts, bearer shares and APTs make it nearly impossible for competent authorities to generate paper trails or to identify beneficial owners of companies, while they simultaneously protect those engaging in serious financial crime from civil or criminal prosecution.

Other practices found in some OFCs cause problems for law enforcement. One such practice, well advertised on the Internet, is the selling of "economic citizenship"—a practice that enables individuals suspected of committing crimes to purchase citizenship in an OFC jurisdiction that does not have an extradition agreement with the purchaser's original home country. Currently five Caribbean Basin OFCs are actively selling economic citizenships: Belize, Dominica, Grenada, St. Kitts/Nevis and St. Vincent and the Grenadines. In the Pacific region, economic citizenships are for sale in Nauru.

Internet gaming executed via the use of credit cards and offshore banks represents yet another powerful vehicle for criminals to launder funds from illicit sources as well as to evade taxes. Advertised on the Internet as being located primarily in the Caribbean Basin, virtual casinos can be extremely profitable for governments that sell the licenses and likely share in the operator's profits. By the end of December 2000, Antigua and Barbuda, for example, reportedly had licensed more than 80 Internet gaming websites at a cost of \$75,000-\$85,000 for a sports betting shop and \$100,000 for a virtual casino. As the Offshore Financial Services chart indicates, with the exception of St. Vincent and the Grenadines, all Caribbean Basin OFCs that sell "economic citizenships" also sell virtual casino licenses. In the Pacific region, only the Palau and Vanuatu OFCs are reported to sell gaming licenses (reportedly for much lower fees than are charged in the Caribbean). Neither Palau nor Vanuatu sell economic citizenships.⁽²⁾

(1) Erico and Musalem analyze the role of the OFCs in the Asian and Latin American crises, pp. 37-38. The PricewaterhouseCoopers, "Report to V.V. Gerashenko, Central Bank of Russia, re: FIMACO", August 1999. Commissioned by the IMF, the report leads to the conclusion that the Russian Central Bank used FIMACO (the Jersey registered IBC) to anonymously purchase Russian government debt.

(2) See the Offshore Financial Services Chart at the end of this section.

With the advent of the Internet and other technological advances, monies can be quickly transferred around the globe, providing further opportunities to engage in the placement and layering of illicitly gained funds. There is a growing concern that criminals are increasingly enlisting the services of unethical lawyers, accountants and other professionals to help them discover and manipulate new money laundering opportunities afforded by the new technologies.

Initiatives Targeting Financial Abuse

In recent years, various bodies have examined the threats presented by a lack of transparency and oversight posed to an increasingly interdependent global financial system. Two initiatives, The Financial Stability Forum's Offshore Working Group and the Financial Action Task Force's Non-Cooperative Countries and Territories Initiative, have had a direct impact on the offshore financial services industry in 2000. These initiatives have drawn distinctions between the better-regulated and cooperative jurisdictions and those that are not. Both initiatives have focused a great deal of attention on the OFCs although the FATF initiative addresses jurisdictions beyond OFCs.

The Financial Stability Forum Working Group on Offshore Financial Centers

The Financial Stability Forum (FSF) was convened in 1999 at the request of the G-7 Finance Ministers to promote international financial stability through information exchange and international cooperation in financial supervision and surveillance. At its first meeting in April 1999, the FSF established the Working Group on Offshore Financial Centers. The working group was comprised of officials of industrial and emerging market economies, international institutions and international regulatory and supervisory groupings.

The FSF Working Group's mandate was to consider the significance of OFCs in relation to global financial stability. In April, the FSF Working Group issued a report concluding that a number of the OFCs were perceived as having weaknesses in financial supervision, cross-border cooperation and transparency. In order to prioritize the jurisdictions for eventual IMF assessment, OFCs were divided into three categories: Group I (cooperative OFCs with high quality supervision), Group II (potentially

cooperative OFCs with low quality supervision) and Group III (non-cooperative OFCs with low quality supervision).

The OFCs in Group I, Hong Kong, Luxembourg, Singapore and Switzerland, were "generally perceived as having legal infrastructures and supervisory practices, and/or a level of resources devoted to supervision and co-operation relative to the size of their financial activities, and/or a level of cooperation that are largely of a good quality and better than in other OFCs." The OFCs of Guernsey, Ireland, the Isle of Man and Jersey were also generally viewed in the same light "though continuing efforts to improve the quality of supervision and co-operation should be encouraged in these jurisdictions." (1)

(1) Financial Stability Forum press release, May 26, 2000. *The Report of the Working Group on Offshore Financial Centers* is located at the FSF's website: <http://www.fsforum.org>.

OFCs in Group II (Andorra, Bahrain, Barbados, Bermuda, Gibraltar, Labuan (Malaysia), Macao, Malta and Monaco) were considered to be of lower quality than Group I but higher than the OFCs in Group III.

OFCs listed in Group III were Anguilla, Antigua and Barbuda, Aruba, Belize, British Virgin Islands, Cayman Islands, Cook Islands, Costa Rica, Cyprus, Lebanon, Liechtenstein, Marshall Islands, Mauritius, Nauru, Netherlands Antilles, Niue, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Samoa, Seychelles, the Bahamas, Turks and Caicos, and Vanuatu. These jurisdictions were generally perceived as having legal infrastructures and supervisory practices, and/or level of resources devoted to supervision and co-operation relative to the size of their activity, and/or level of co-operation that are largely of a lower quality than in Group II.

The report concluded that the perceived deficiencies in Groups II and III OFCs could allow financial market participants to engage in regulatory arbitrage of several forms, thereby undermining efforts to strengthen the global financial system. As a result, the FSF in May released the groupings of the OFCs by category, requesting that the IMF develop, organize and conduct assessments of OFC adherence to international financial standards, including several of the FATF 40 Recommendations. The FSF recommended giving "highest priority to those in Group II" and "high priority to those OFCs in Group III whose scale of financial activity has the greatest potential impact on global financial stability."

The IMF agreed in July to a program that contemplates three levels of assessment that review principally the supervisory and regulatory arrangements in place for banking, securities and insurance activities. The first level is a self-assessment, the second is an assessment led by the IMF and the third, a more complex assessment, will also be led by the IMF. Participation in the program is voluntary and no IMF assessment will be made public unless the assessed jurisdiction voluntarily agrees to its release(1)

The Financial Action Task Force on Money Laundering

Non-Cooperative Countries and Territories Initiative

In response to the G-7 Finance Ministers 1998 Birmingham Summit, the FATF formally created the Ad Hoc Group on Non-Cooperative Countries and Territories (NCCT.) In 1999, this group developed twenty-five criteria for the purpose of determining which jurisdictions weakened the global effort to combat money laundering. These criteria encompass four broad areas:

- Loopholes in financial regulations
- Obstacles raised by other regulatory requirements
- Obstacles to international cooperation
- Inadequate resources for preventing and detecting money laundering activities

FATF initiated a review of a first tranche of jurisdictions in February 2000. After a thorough review and dialogue with these jurisdictions, the FATF at its June 2000 Plenary identified fifteen jurisdictions as non-cooperative in the international fight against money laundering. Those fifteen were as follows: the Bahamas, the Cayman Islands, the Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, the Marshall Islands, Nauru, Niue, Panama, the Philippines, Russia, St. Kitts and Nevis, and St. Vincent and the Grenadines. All but Israel, Lebanon and Russia are OFCs.

Fourteen other jurisdictions, all OFCs, were identified as having deficiencies, but were not placed on

the non-cooperative list. Those jurisdictions are as follows: Antigua and Barbuda, Belize, Bermuda, British Virgin Islands, Cyprus, Gibraltar, Guernsey, the Isle of Man, Jersey, Malta, Mauritius, Monaco, Samoa and St. Lucia. The reviews of two other OFC jurisdictions, Vanuatu and the Seychelles, were not completed at the June Plenary, but at the October Plenary neither jurisdiction was determined to be non-cooperative.

At the July G-7 Finance Ministers Summit held in Japan, the United States along with its partners, issued formal advisories or notices notifying all financial institutions in G-7 countries of the FATF's issuance of Recommendation 21.(2) The U.S. Department of Treasury issued individual advisories regarding each of the fifteen named NCCTs to all U.S. financial institutions. The advisories advised financial institutions to "give enhanced scrutiny" to transactions involving the named jurisdictions.

(1) The report, *Offshore Financial Centers, The Role of the IMF*, can be found at <http://www.imf.org/external/np/sec/nb/2000/nb0062.htm>.

(2) FATF Recommendation 21 states: Financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply these Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

The FATF's NCCT exercise, while not designed to focus on OFCs, has had a significant impact on the OFCs and other jurisdictions around the globe. For more information on this initiative see the discussion of the NCCT process in the Multilateral Section—FATF overview—in this report.

Explanatory Notes To the Offshore Financial Services Chart

Public information regarding offshore financial centers can be difficult to obtain. Industry publications, discussions with regulators of the OFCs, foreign government finance officials, embassy reports, analyses from United States Government (USG) agencies, international organizations, and secondary sources provided the data for the chart.

Excluded are jurisdictions that provide low or no taxes to individuals but offer no other services or products normally associated with the offshore financial service sector. Also excluded are jurisdictions that have established OFCs but for which the USG has little or no information regarding the operations of the OFC. Within most categories presented on the chart, the designations **Y** and **N** are used to denote the existence (**Y**) or the non-existence (**N**) of the entity or service in a specific jurisdiction. *Where there is no (or only fragmentary) information regarding specific categories, the corresponding cells on the chart are left blank.* In some categories, symbols other than or in addition to **Y** or **N** are used. Explanations for additional symbols are provided below.

Explanations of the categories themselves are either provided in the preceding text, are considered to be self-evident, or are provided below.

Category Designations on the Offshore Financial Services Chart

Offshore Banks: The number is provided if known. A **Y** indicates that although a jurisdiction that offers offshore financial services (OFC) licenses offshore banks, the number of such banks is not known. An **N** indicates that no offshore banks are known to be licensed in the jurisdiction. A blank cell indicates that the USG does not know if offshore banks are offered within the OFC.

Trust and Management Companies: These are companies that provide fiduciary services, as well as serving as marketing agents, representatives, lawyers, accountants, trustees, nominee shareholders, directors, and officers of international business companies.

International Business Companies (IBCs) & Exempt Companies: Numbers are provided when known and public; in many cases, the numbers are significantly underreported.

Bearer Shares: Share certificates can be issued without the name of the beneficial owner. A **Y** indicates that the OFC offers bearer shares; an **N** indicates that it does not; and a blank cell indicates that the USG does not know if bearer shares are offered within the OFC.

Asset Protection Trusts (APTs): Trusts that protect assets from civil judgment. A **Y** indicates that the OFC offers APTs; an **N** indicates that it does not; and a blank cell indicates that the USG does not know if APTs are offered within the OFC.

Insurance and Re-insurance Company Formation: A **Y** indicates that the OFC allows formation of insurance and re-insurance companies; an **N** indicates that it does not; and a blank cell indicates that the USG does not know if insurance and re-insurance companies are allowed within the OFC.

Sells "Economic Citizenship": A **Y** indicates that the OFC sells economic citizenships; an **N** indicates that it does not; and a blank cell indicates that the USG does not know if the OFC sells economic citizenships.

Internet Gaming: Licenses granted by jurisdictions that enable grantees to establish "virtual casinos" on the Internet, in which customers can pay via credit card. A **Y** indicates that the OFC licenses Internet gaming; an **N** indicates that it does not; and a blank cell indicates that the USG does not know if Internet gaming is offered within the OFC.

Criminalized Drug Money Laundering: A **D** indicates that the OFC has a law criminalizing narcotics-related money laundering only. A **BD** indicates that crimes other than those related to narcotics are considered to be predicate crimes for money laundering in the OFC. An **N** indicates that there is no legislation criminalizing money laundering in the OFC.

Reports Suspicious Activities: An **M** indicates that reporting suspicious activities to law enforcement by banks, and in some OFCs and other financial

institutions, is mandatory. A **P** indicates that such reporting is voluntary. An **N** indicates that there is no requirement to report suspicious activities.

Financial Stability Groupings: This column provides the grouping provided by the Financial Stability Forum. Group **I** OFCs are OFCs with generally good supervision and are generally cooperative with foreign supervisors and law enforcement agencies; Group **II** OFCs are OFCs in which supervision and/or cooperation and/or human resources is of a lesser quality than OFCs in Group I; Group **III** OFCs are OFCs that lack the political will and/or resources to adhere to international standards and norms and to cooperate with the international financial community in combating money laundering. A blank cell indicates that the jurisdiction was not reviewed.

Financial Action Task Force (FATF) Non-Cooperative Exercise: This column provides the FATF finding. **NC** indicates the jurisdiction was determined to be noncooperative; **R** indicates that the jurisdiction was reviewed and determined not to be noncooperative; a blank cell indicates that the jurisdiction was not reviewed.

Membership in International Organizations: This cell lists the multinational organizations that have been formed to combat money laundering and/or to establish a sound supervisory regime in which the OFC participates.

Offshore Financial Services Chart

Money Laundering Trends and Typologies

As in previous years, money launderers have demonstrated a great deal of creativity in combining traditional money laundering techniques into complex money laundering schemes designed to thwart the ability of authorities to prevent, detect and prosecute money laundering. Increasingly, however, money launderers are modifying traditional techniques to take advantage of developments and technologies designed to streamline the process as well as employing the services of professionals such as lawyers and accountants to help launder illicit proceeds. Below are some examples of various money laundering typologies and a review of statistical information on U.S. money laundering trends for 2000.

Statistical Overview of U.S. Money Laundering Trends

Suspicious Activity Reporting: Suspicious Activity Reports (SARs) continue to play a critical role in U.S. anti-money laundering efforts. Similar types of reporting systems are in operation throughout the world and are a key component in global anti-money laundering efforts as well. In addition to their importance to law enforcement efforts to combat money laundering, SAR reporting can also provide important information on current money laundering trends and typologies. This information can then be used by authorities to develop more effective countermeasures. The following statistical overview is derived from aggregate totals for Suspicious Activity Reports filed by depository institutions (i.e., banks, thrifts and credit unions) from the U.S. SAR system. A small part of the total volume relates to reports filed by affiliates of depository institutions or, in some cases, filed voluntarily by brokers and dealers in securities, money service businesses, or gaming businesses.

Chart 1: U.S. Suspicious Activity Report Filings by Year and Month

Month	Number of Filings				
	1996	1997	1998	1999	2000
January	–	5,794	7,600	8,621	10,789
February	–	5,522	7,107	9,950	9,910
March	–	6,967	8,718	10,986	14,923
April	2,022	7,628	8,293	9,759	11,928
May	3,315	6,814	7,646	10,625	13,364

June	5,756	6,414	8,163	10,715	13,908
July	6,882	6,844	9,061	8,759	12,031
August	6,785	6,930	7,696	10,014	13,500
September	6,139	7,221	8,625	8,735	-
October	7,269	7,486	8,223	10,049	-
November	5,060	6,384	7,577	10,540	-
December	6,297	7,593	8,223	11,753	-
-	49,786	81,597	96,932	120,506	100,353(1)
Total Filings	449,177				

(1) Represents those SARs currently in the system as of 31 August 2000.

Underlying Suspicious Activity

Underlying suspicious activity identified in SARs data is provided in rank order in Chart 2. It should be noted that for the largest number of filings (Structuring/Money Laundering—45.3 percent of all filings), structuring activity comprises about 50 percent of the SARs identified under this category. Chart 3 breaks out the overall data by violation/year.

Chart 2: SAR Filings Ranked by Type of Violation

Rank	Violation	Filings	Percentage
1	BSA/Structuring/Money Laundering(1)	221,402	45.3%
2	Check Fraud	64,237	13.15%
3	Other	35,646	7.3%
4	Counterfeit Check	25,670	5.25%
5	Defalcation/Embezzlement	22,700	4.65%
6	Credit Card Fraud	21,856	4.5%
7	Unknown/Blank(2)	18,561	3.8%
8	Check Kiting	18,392	3.75%

9	False Statement	10,441	2.15%
10	Consumer Loan Fraud	10,347	2.1%
11	Mortgage Loan Fraud	10,276	2.1%
12	Mysterious Disappearance	8,097	1.65%
13	Misuse of Position or Self Dealing	7,455	1.5%
14	Commercial Loan Fraud	4,301	Less than 1%
15	Debit Card Fraud	3,021	Less than 1%
16	Wire Transfer Fraud	2,737	Less than 1%
17	Counterfeit Credit/Debit Card	1,746	Less than 1%
18	Counterfeit Instrument (Other)	1,326	Less than 1%
19	Bribery/Gratuity	473	Less than 1%
20	Computer Intrusion(3)	9	Less than 1%

(1) The Bank Secrecy Act (BSA) and related rules and regulations require the filing of reports of certain financial transactions.

(2) The Unknown/Blank classification encompasses those SARs that do not correspond to an established violation or where the violation is not specified.

(3) Violation did not appear until issuance of the Revised SAR Form in June 2000.

Chart 3: SAR Filings by Characterization of Suspicious Activity

Violation	1996	1997	1998	1999	2000(1)
BSA/Structuring/Money Laundering	20,565	35,949	47,509	61,007	56,371
Bribery/Gratuity	91	109	93	101	79
Check Fraud	8,639	13,274	13,832	16,239	12,253

Check Kiting	2,747	4,298	4,037	4,061	3,249
Commercial Loan Fraud	554	960	905	1,080	802
Consumer Loan Fraud	1,148	2,048	2,185	2,549	2,417
Counterfeit Check	2,317	4,244	5,918	7,396	5,795
Counterfeit Credit/Debit Card	385	387	182	351	441
Counterfeit Instrument (Other)	212	292	265	321	236
Credit Card Fraud	3,375	5,083	4,383	4,938	4,077
Debit Card Fraud	245	610	566	721	879
Defalcation/Embezzlement	3,136	5,306	5,260	5,179	3,819
False Statement	1,807	2,204	1,978	2,376	2,076
Misuse of Position or Self Dealing	914	1,537	1,645	2,063	1,296
Mortgage Loan Fraud	1,265	1,719	2,268	2,936	2,088
Mysterious Disappearance	1,168	1,767	1,855	1,857	1,450
Wire Transfer Fraud	284	499	594	772	588
Other	4,600	6,777	8,696	8,755	6,817
Computer Intrusion	0	0	0	0	9
Unknown/Blank	1,652	2,317	2,728	7,295	4,569

(1) Represents those SARs currently in the system as of August 31, 2000.

Developments in Analyzing U.S. National SAR Data

The size of the U.S. national SAR database presents special opportunities for developing analytic approaches to the data set. Analysis of the data set has enabled FinCEN to provide banks with important feedback regarding examples and patterns of suspicious activity.

Money Laundering Trends in 2000

Wire Transfers and Shell Company Activity

SARs filed during the first half of 2000 reflect several complex activities involving suspicious wire

transfer patterns. As reported in the SAR narratives, many of these suspicious wire transfer patterns involve shell companies—*i.e.*, corporations that engage in no apparent business activity and that only serve as a conduit for funds or securities. Often the activities also involve foreign transactors located in jurisdictions considered non-cooperative in the fight against global money laundering.

Several complex suspicious wire transfer transactions have been observed, each involving geographically complicated wire transfer routing (originator, beneficiary, or transit/intermediary banks) and/or geographically complex originator and beneficiary activity. More than \$500 million in suspicious wire transfers have been reported in connection with this type of activity.

These activities display common patterns of underlying suspicious activity:

- A lack of evidence of legitimate business activity, or any business operations undertaken by many of the companies;
- Unusually large numbers of wire transfers (several thousand wires totaling more than U.S. \$500 million);
- Transactions conducted in bursts of activities within a short period of time;
- Beneficiaries maintaining accounts at foreign banks that have been the subject of previous SAR reporting due to suspicious wire transfer activity;
- Reappearing beneficiary banks based in offshore locations, the account of at least one of which has been closed by the reporting financial institution due to overall suspect activity.

Increased SAR Reporting Involving Mexico

Law enforcement information and SARs filed by U.S. financial institutions confirm a shift in suspected money laundering activity involving Mexico. Rather than transiting through Mexico en route to Colombia or other Central and South American destinations, often drug proceeds are now cycled through Mexico directly back into the United States. SARs have revealed patterns of large wire transactions (\$1.5 million or more per transaction) moving funds to U.S. payees from Mexican money exchange houses and other financial institutions, which may at least, in part, be attributable to changes in the laundering cycle. Such changes in patterns are believed to stem from the heightened profile of Mexico-based criminal groups in drug trafficking in the U.S., which creates a corresponding increased threat of money laundering activity linked to Mexico.

Money Remitter Activity

The 2000 *National Money Laundering Financial Sector Strategy Conference*, co-sponsored by the U.S. Departments of Treasury and Justice, provided a forum for discussing recently observed trends pertaining to the use of money remitters for illicit funds transfer and money laundering.

There was a general consensus among the conference participants that there are three major categories of remitters currently operating: a) money remitters that are corrupt and are working directly with the money launderers and drug dealers; b) money remitters that might not be directly involved with the illicit proceeds, but are "willfully blind" to these activities and transactions; and c) money remitters that are not necessarily aware of nor "willfully blind" to the illicit activities.

Various schemes appear primarily designed to evade federal and industry practice that is mandated by record keeping, reporting, and customer identification requirements. These varied activities include basic structuring of money transfer transactions below the reporting and identification dollar amount thresholds mandated by government; the use of multiple money transfer agent businesses and/or parent remitter companies to avoid overall monitoring and detection by the industry⁽¹⁾; and frequent use of falsified names, addresses, and receipts as a "cover" justification for the substantial illicit funds transfers.

(1) As DEA also points out, "In some cases, the agent (business) may represent a variety of remittance companies. When this is the case, the agent may suggest dividing the deposit, sending a portion with each of the represented businesses (companies). Thus, detection is increasingly challenging."

Federal authorities at the conference also highlighted the recent growth of smaller independent remitters (beyond the more established Western Union and MoneyGram systems), particularly of those providing service to and from Mexico. DEA reported that although these remitters provide important legitimate services to migrant worker populations, the location of these businesses, "do not necessarily

parallel the employment centers for these laborers. Rather, it appears that the agent locations are primarily located in states without regulations governing the money services industry."

Update on Suspicious Automated Teller Machine (ATM) Activity

Analysis of SAR reporting on ATM transactions confirms a continuing trend in suspicious transactions in which funds are wired to/through a U.S. financial institution from a foreign source and then withdrawn in cash in a third country using ATMs. SARs indicate such ATM withdrawals in at least 57 nations, with the highest incidence in Colombia (408 occurrences), followed by Venezuela (145), Mexico (119), and Argentina (31). The wire transfers that start the cycle originate primarily in Switzerland, Italy, Germany, and England. Amounts up to several hundred thousand dollars have been withdrawn over several months using this method.

Other Money Laundering Trends and Typologies

Black Market Peso Exchange System

The Black Market Peso Exchange System (BMPE) is a trade-based system that depends on commercial traffic between the U.S. and Colombia to launder profits from the sale of illegal drugs in the United States. The BMPE is a significant money laundering conduit used by Colombian narcotics traffickers in repatriating revenues to Colombia. The process begins when a Colombian drug organization arranges the shipment of drugs to the United States. The drugs are sold in the U.S. in exchange for U.S. currency that is then sold to a Colombian black market peso broker's agent in the United States. The U.S. currency is sold at a discount because the broker and his agent must assume the risk of evading the Bank Secrecy Act reporting requirements when later placing the dollars into the U.S. financial system.

Once the dollars are delivered to the U.S.-based agent of the peso broker, the peso broker in Colombia deposits the agreed upon equivalent in Colombian pesos into the organization's account in Colombia. At this point, the organization has laundered its money because it has successfully converted its drug dollars into pesos, and the Colombian broker and his agent now assume the risk for introducing the laundered drug dollars into the U.S. banking system, usually through a variety of surreptitious transactions. Having introduced the dollars into the U.S. banking system, the Colombian black market peso broker now has a pool of laundered dollars to sell to Colombian importers. These importers then use the dollars to purchase goods, either from the U.S. or from other markets, which are transported to Colombia, often via smuggling in order to avoid applicable Colombian law.

The exact size and structure of the BMPE system cannot be determined with any degree of precision. However, based on anecdotal law enforcement evidence, informants' statements, and Colombian law enforcement and intelligence officials, it is believed that between \$3 billion and \$6 billion is laundered annually. Other sources of demand for BMPE dollars include capital outflows by Colombian residents, who seek either to conceal the funds from the Colombian authorities or simply to take advantage of the favorable BMPE exchange rate.

To combat the BMPE, the U.S. Department of Treasury has instituted an interagency working group that has aggressively attacked this problem and whose efforts have resulted in better coordinated and integrated anti-BMPE investigations and increased successful prosecutions. Treasury's outreach programs to educate U.S. exporters of the operations of and their vulnerability to the BMPE have also achieved success. During the past year, high level U.S. Government officials met with senior officials of U.S. companies whose products are vulnerable to the BMPE to explain the system and to encourage them to develop programs to counter the BMPE.

In addition to these domestic outreach efforts, the United States, Colombia, Panama, Venezuela and Aruba have formed an international working group of experts to combat this money laundering system. This working group is to study the BMPE, report its findings, and recommend policy options and actions that can be taken by the governments against the BMPE.

On October 21, 2000, a task force composed of U.S. Treasury Department and Department of Justice officials and government officials from Aruba, Colombia, Panama, and Venezuela participated in the first meeting of this working group. At the meeting, the 30 experts discussed how the BMPE money laundering system affected each of their respective countries. Topics of discussion included the BMPE steps, documentation of international commercial transactions, the problems with existing paper trails and laws, and ways to improve international cooperation. The group's work is planned to continue in meetings to be held in Colombia, Panama, and Venezuela during the course of 2001.

The Hawala System

The hawala (or hundi) alternative (or parallel) remittance system continues to be a key factor in money laundering and other financial crimes committed in and associated with South Asia. It is closely related to the "black" or "off the books" economies in the region. The size of the underground economies in

South Asia are estimated to be 50 to 100 percent the size of the "white" or "documented" economies.

Hawala operates on trust and connections ("trust" is one of several meanings associated with the word "hawala"). Customers trust hawala "bankers" or "operators" (known as hawaladars) who use their connections to facilitate money movement worldwide. Hawala transfers take place with little, if any, paper trail; and, when records are kept, they are usually kept in code. Contrary to various media reports, hawala is an ancient system; it was the primary money transfer mechanism used in South Asia prior to the introduction of Western banking. Today, hawala continues to be used for many legitimate transfers for cultural and financial reasons; and it also often operates in conjunction with Western banking operations.

Dubai, India and Pakistan form a "hawala triangle" responsible for significant international money laundering activities that go far beyond South Asia. While interdiction of non-bank money laundering systems, such as hawala, is difficult enough in itself, this difficulty is sometimes compounded by ineffective money laundering countermeasures in Dubai and the other Emirates.

Internet Gambling

Internet gambling is illegal in the United States. A joint FBI-IRS Internet gambling investigation recently targeted a Sports Tout Service (STC) which was providing its services via the Internet, as well as functioning as an Internet Service Provider (ISP). The STC service collected, collated and analyzed statistical and other information relative to sporting events, and then in turn sold this information to subscribers who factored it into their betting decisions. The STC/ISP also included two offshore gambling operations located in the Caribbean, both of which accepted wagers via the Internet or toll-free telephone numbers. Law enforcement personnel were successful in infiltrating the operation.

To launder the proceeds from their illegal Internet gambling activities, the subjects of this investigation employed the services of an attorney. The attorney devised an elaborate scheme in which the STC/ISP leased its services to the subjects of the investigation for a specified amount. Proceeds were also laundered through a series of bank accounts in the Caribbean and eventually funneled back to U.S. banking institutions. Investigators estimate that approximately \$178 million was wagered through the STC/ISP annually. It is anticipated that subjects in this investigation will be charged with gambling, money laundering, tax evasion and RICO-related offenses.

Lawyers/Notaries, Accountants and Other Non-Financial Professionals

United States law enforcement authorities have observed that as money laundering schemes become more complex, the perpetrators turn to the learned expertise of attorneys, accountants, consultants and agent representatives to aid them in the movement of illegal currency. These professionals, using shell corporations, nominees and fictitious records, devise elaborate paper trails to disguise the true source of illegal income. During Fiscal Years 1999 and 2000, 131 attorneys, accountants and consultants were sentenced as a result of money laundering convictions.

The Market for Gold and other Precious Metals

Gold is known to play a significant role in international money laundering. Gold, just like certain currencies (e.g., the U.S. dollar, Swiss franc, and British pound, the Euro) is a nearly universal commodity for international commerce. The attractiveness and value of a particular currency depend on a complex and often unstable variety of political and economic conditions. Gold has been a key medium of exchange since antiquity and will, in fact, most likely always enjoy this position, as it appears nearly immune to the consequences of changing global fortunes.

Gold serves as both a commodity and, to a lesser extent, a medium of exchange in money laundering conducted in Latin America, the United States, Europe and Asia. In this cycle, for example, gold bullion makes its way to Italy via Swiss brokers. There it is made into jewelry, much of which is then shipped to Latin America. In Latin America, this jewelry (or the raw gold from which it was made) then becomes one, if not the most important, of the commodities in the black market peso exchange.

In a recent case, United States law enforcement authorities identified a money laundering system that makes use of the legitimate gold trade to launder money through black market currency exchanges. In this system, gold jewelry is sold in the Panama Colon Free Trade Zone to Colombians (who are allegedly hoarding gold against the devaluation of the peso). The jewelry is smuggled into Colombia through the city of Bucaramanga. The jewelry is then melted and formed to resemble gold from mines, fabricated into pigment and then shipped to the U.S. for refining. (The pigment fabrication stage is important because the Colombian government will pay a 4.5 percent export tax credit on the exported goods.) The "gold pigment" arrives in the U.S. but is instead entered as "bullion", which does not qualify for the export credit. The gold is refined and sold in the U.S. and then smuggled back to South America. The resulting loss to the Colombian government is estimated to be over \$20 million. A variant of this scheme has the refined gold being exported to Switzerland for sale to Italian jewelry manufacturers.

for delivery to Panama. In all cases, it is believed that the same gold is being recycled throughout each step of the scheme.

Structured Postal Money Orders—Alien Smuggling Proceeds

An anti-smuggling task force consisting of U.S. Postal Inspectors and special agents from the Immigration and Naturalization Service and Internal Revenue Service executed a federal warrant at the Bank of America in New York City to seize the contents of an account (totaling roughly \$230,000) maintained by an international exchange firm located in the United Arab Emirates. The investigation indicated that the account contained alien smuggling proceeds, in the form of structured postal money orders and other monetary instruments. These proceeds were being moved through the exchange company's account to members of alien smuggling organizations in India and, as reimbursement for smuggling fees, to relatives in India who helped with the operation.

Structured Postal Money Orders—Illicit Drug Proceeds

A multi-agency task force consisting of U.S. Postal Inspectors from the North Jersey/Caribbean Division and special agents from the Internal Revenue Service, Federal Bureau of Investigation and U.S. Customs Service arrested nine members of a narcotics and money laundering ring known as the "Dussan Organization." The ring operated in Northern New Jersey, New York and Colombia and was charged with money laundering and structuring transactions to avoid currency transaction reporting requirements. Members of the group allegedly structured postal and commercial money orders at various post offices and convenience stores in New Jersey and New York, and used express mail services to send the money orders to various businesses in the United States and South America. It is estimated that the ring laundered at least \$3 million in illegal proceeds.

Suspicious Financial Activity in Casinos

A review of SARs filed by gaming establishments reveals patterns of suspicious activity in which casino accounts are used to transfer significant amounts of funds through non-bank financial transaction channels. The funds are cashed out by the client or moved to other accounts with minimal or no gaming activity. Variations on this theme involved an initial deposit by wire or bank cashiers check, but then the funds would be wired out to another account. The funds were then stored for a period of time in a casino safety deposit box or held in the form of safekeeping markers, and then cashed out. In several instances the client was observed transferring chips to other individuals to cash out, as well as cashing out a greater amount than held on deposit (with no gambling winnings to account for the excess amount).

Trusts, Other Non-Corporate Entities and Money Laundering

One multi-agency task force investigation focused on a scheme where an investment consultant had formed a management group under the laws of Anguilla and offered investment services to citizens of the United States. A confidential informant (CI), cooperating with law enforcement, advised the offshore consultant of the CI's desire to launder drug proceeds. The consultant offered to set up an offshore trust for the CI and withhold the CI's identity from the trust records, thereby distorting the true illegal source of the funds.

Due to the U.S. Customs Service requirement of filing an International Transportation of Currency Report, the consultant required delivery of the funds by a courier to an international airport in Canada before the consultant actually took possession of the funds. In Toronto, Canada the consultant took delivery of \$100,000 in unsigned traveler checks, promising to deposit the checks in Caribbean bank accounts and to wire transfer the money back to the CI, less commissions. The consultant then traveled to St. Maarten and Anguilla and established the promised accounts. These accounts were opened at Barclays Bank, Anguilla and Chase Manhattan, St. Maarten. The funds were then wire transmitted back to the U.S.

Upon his return to the United States, the subject was arrested. The subject was indicted on six counts of money laundering and Customs violations. Through plea negotiations, the subject received 18 months incarceration.

U.S. Money Laundering Countermeasures

National Money Laundering Strategy

On October 15, 1998, Congress passed the Money Laundering and Financial Crimes Strategy Act of 1998. The Act called upon the President, acting through the Secretary of the Treasury and in

consultation with the Attorney General, to develop a national strategy for combating money laundering and related financial crimes. The Act called for the first national strategy to be sent to Congress in 1999, and updated annually for the following four consecutive years. The first annual strategy was released on September 23, 1999. The National Money Laundering Strategy for 2000 was released on March 8, 2000, at a press conference co-chaired by the Deputy Attorney General and Deputy Treasury Secretary.

The 2000 Strategy is organized according to the four following overarching goals: (1) to strengthen domestic enforcement in order to disrupt the flow of illegal money; (2) to enhance regulatory and cooperative public-private efforts to prevent money laundering; (3) to strengthen partnerships with state and local governments to fight money laundering throughout the United States; and (4) to strengthen international cooperation in order to disrupt the global flow of illicit money.

These four goals are supported by identified objectives which, in turn, are to be accomplished through approximately 65 specific action items set out in the strategy.

Significant Action Items

The following are summaries of the most significant action items:

- **Designation of High Intensity Financial Crime Areas (HIFCAs):** The designation of HIFCAs was mandated by the 1998 legislation and was the first action item in the 1999 Strategy. HIFCAs are defined as special, high-risk areas or sectors where law enforcement will concentrate its resources and energy to combat money laundering. The Justice and Treasury Departments led a process to identify and designate the first HIFCAs. As part of this process, the two departments convened an interagency HIFCA Working Group to collect and analyze relevant information and make recommendations to the Deputy Attorney General and the Deputy Treasury Secretary for the HIFCA designations. The 2000 Strategy designated the first HIFCAs: (1) New York City/Northern New Jersey area; (2) the Los Angeles, California, metropolitan area; (3) San Juan, Puerto Rico; and (4) a "systems" HIFCA to focus and enhance current efforts addressing the problem of cross-border currency smuggling/movements between Mexico and Texas and Arizona. The HIFCA program is intended to concentrate law enforcement efforts at the federal, state, and local levels to combat money laundering in the designated high-intensity money laundering zones. Future HIFCAs will be selected from applications received from prospective areas or from candidates proposed by the Secretary of the Treasury or the Attorney General.
- **Financial Crime-Free Communities Support Program:** The 2000 Strategy announces the launching of the Financial Crime-Free Communities Support (C-FIC) program. The C-FIC program is also the result of a legislative mandate which calls for the establishment of a federal grant program to provide seed capital for emerging state and local anti-money laundering enforcement efforts. The Bureau of Justice Assistance (BJA) is assisting the Treasury Department in administering this grant program. Congress appropriated \$2.9 million in fiscal year 2000 for the commencement of the program. The first nine recipients for C-FIC grants were announced in September 2000 and included a variety of programs proposed by state and local law enforcement agencies in New York, Illinois, Arizona, Florida, Texas and California.
- **Money Service Business Suspicious Activity Report Reporting:** In conjunction with the release of the strategy, the Treasury Department announced the issuance of final regulations, effective December 31, 2001, mandating that money transmitters, issuers, sellers, and redeemers of money orders and traveler's checks must report suspicious transactions to the Treasury Department.
- **Financial Crime Havens:** The 1999 Strategy called for the formation of an interagency working group to explore whether measures should be adopted to restrict financial institutions in the United States from opening or maintaining correspondent banking accounts for foreign banks that are organized in "lax" offshore jurisdictions. This initiative was pursued in conjunction with the FATF NCCT initiative which resulted in the naming of fifteen Non-cooperative Countries and Jurisdictions in June 2000. The issuance of this list was followed by the issuance of FinCEN Advisories to United States financial institutions concerning the fifteen designated jurisdictions.
- **"Gatekeepers":** Pursuant to the 1999 Strategy, an interagency working group was created to examine the responsibilities of professionals, such as lawyers and accountants, with regard to money laundering. The 2000 Strategy directed the working group to continue its review and "to

make recommendations—ranging from enhanced professional education, standards or rules, to legislation—as might be needed." In April 2000, a meeting of representatives from the G-8 countries was convened in Washington, D.C. to discuss this issue. Because of the difficult legal and policy issues involved when considering the responsibilities of lawyers and accountants in this area, the working group is continuing to study this issue and prepare recommendations for the Steering Committee in 2001.

- **Legislation:** The Treasury Department announced that in conjunction with the 2000 Strategy, the administration was sending new anti-money laundering legislation to Congress. The *International Counter-Money Laundering Act of 2000* offered needed new authority to take calibrated action against foreign financial crime havens. In addition to seeking enactment of the Treasury bill, the 2000 Strategy called for the administration to seek enactment of the Justice Department's Money Laundering Act of 2000, which was submitted to Congress on November 10, 1999. This bill contained numerous provisions that would enhance the effectiveness of the money laundering statutes. However, neither of these bills was enacted in 2000.

In conjunction with the announcement of the 2000 Strategy, on March 7, 2000, the Attorney General and the Secretary of the Treasury issued a joint memorandum to all U.S. Attorneys (USAs) and the heads of all of the federal law enforcement agencies emphasizing the importance of anti-money laundering enforcement. In addition it requested the implementation of several action items recommended in the 1999 Strategy.

Specifically, the memorandum urged the USAs and the law enforcement agencies:

- to encourage below-threshold investigations and prosecutions that potentially have a systemic or financial sector-wide effect on money laundering;
- to establish SAR review teams;
- to ensure that all informants and cooperating witnesses are debriefed with respect to money laundering methods and their knowledge of money laundering techniques;
- to increase the use of electronic surveillance in appropriate money laundering cases;
- to enhance the support and analysis of multi-district money laundering investigations;
- to increase training for financial investigations; and
- to increase the strategic use of asset forfeiture in money laundering cases.

The 2000 Strategy set out a far-reaching and highly ambitious regimen of action items and milestones to be addressed and accomplished during 2000. The implementation of the Money Laundering Strategy is being guided by an interagency Steering Committee co-chaired by the Deputy Secretary of the Treasury and the Deputy Attorney General, with the participation of relevant departments and agencies. The Steering Committee has the responsibility of tracking and identifying progress toward fulfillment of the goals and objectives identified in the 2000 Strategy and this progress will be reported in the 2001 Strategy.

Presidential Decision Directive (PDD) - 42

At the fiftieth anniversary of the United Nations in 1995, the President of the United States broadened the definition of what constitutes a national security threat to include international crime. Shortly thereafter, in October of that year, PDD-42 was signed, directing a cooperative federal effort against international criminal organizations and money laundering. The U.S. Departments of Justice, State and the Treasury as well as the U.S. Coast Guard, the National Security Council, intelligence agencies and other federal entities were instructed to work together to confront and counter this threat to U.S. national security and international stability.

PDD-42 directs the agencies to cooperate to accomplish the following objectives: (1) produce greater results in this area by increasing the priority and resources devoted to this effort; (2) achieve increased effectiveness and synergy by improving coordination among agencies and across the types of international criminal activity; (3) assist and work more closely with other governments to create a global response and to eliminate this threat and to eliminate sanctuaries; and (4) use creatively and aggressively all legal means available to the government to combat international organized crime.

The year 2000 saw progress on all of these fronts with notable success achieved in developing a global

response identifying money laundering vulnerabilities and encouraging compliance with international anti-money laundering standards. A United States interagency group worked with the Financial Action Task Force (FATF) in its groundbreaking effort to name non-cooperative countries and territories in the fight against money laundering. As noted previously in this report, the FATF developed a set of twenty-five criteria to be used in determining whether a jurisdiction had an acceptable or deficient anti-money laundering regime and issued a report listing fifteen jurisdictions as having serious deficiencies.

The FATF non-cooperative countries and territories exercise encompasses some of the essential tenets of PDD-42. It has brought together the 29 FATF member nations in a multilateral effort to not only define what makes a country vulnerable to money laundering but to then clearly identify those nations whose substandard anti-money laundering regimes attract illegal proceeds that underwrite international criminal activity. The United States, in making its contribution to FATF, draws upon the collective expertise of the federal interagency community. That community has played a vital role by assessing the money laundering threat in various regions, analyzing the shortcomings in existing national laws, regulations and practices, crafting countermeasures and providing training and technical assistance to identified jurisdictions making a conscientious effort at improvement. During 2000, this integrated federal effort in support of the FATF initiative on non-cooperative jurisdictions has focused international attention and brought unprecedented progress in dealing with the global challenge of money laundering.

Another key component of the International Crime Control Strategy and PDD-42 has been the imposition of sanctions under the International Emergency Economic Powers Act (IEEPA). The U.S. now has at its disposal two powerful economic sanctions options against narcotics traffickers, the entities they own or control, and those persons acting for them or supporting their narcotics trafficking activities.

In addition to IEEPA, the U.S. Government also is using the Foreign Narcotics Kingpin Designation Act ("the Kingpin Designation Act"). In December of 1999, the President signed into law the Kingpin Designation Act, which provides him with a statutory framework for imposing sanctions against foreign drug kingpins when such sanctions are appropriate. Twelve foreign persons were identified as appropriate for sanctions on June 1, 2000 and others will be designated by June 1, 2001. Of those twelve foreign persons, six were from Mexico (Benjamin Alberto Arellano Felix, Ramon Eduardo Arellano Felix, Jose de Jesus Amezcua Contreras, Luis Ignacio Amezcua Contreras, Rafael Caro Quintero, Vicente Carrillo Fuentes), two were from the Caribbean (Noel Timothy Heath, Glenroy Vingrove Matthews), two were from Nigeria (Abeni O. Ogungbuyi, Oluwole A. Ogungbuyi) and two were from Asia (Chang Chi Fu, Wei Hsueh Kang).

The Kingpin Designation Act is modeled after the highly effective Specially Designated Narcotics Traffickers ("SDNT") program that Treasury's Office of Foreign Assets Control ("OFAC") administers against the Colombian cartels pursuant to Executive order 12978, which was issued in October 1995 under the authority of IEEPA. Nearly 600 individuals and entities have been identified as SDNTs since the Colombia program's inception.

Both the Kingpin Designation Act and the IEEPA-SDNT program prohibit U.S. persons from engaging in transactions, trade and services involving foreign narcotics kingpins and derivative designees. The objective of both laws is to deny drug kingpins, their businesses and their agents access to the U.S. financial system and to the benefits of trade and transactions involving U.S. businesses and individuals. The long-term effectiveness of designations under the Kingpin Designation Act, as well as designations under an IEEPA program, depends heavily upon Treasury's authority to make derivative designations of entities and individuals, as is being done in the IEEPA-SDNT program against Colombian cartels.

The Kingpin Designation Act moves beyond the IEEPA-SDNT Colombia model to target the activities of significant foreign narcotics traffickers ("drug kingpins") and their organizations on a worldwide basis. In keeping with PDD-42's emphasis on interagency cooperation, the Kingpin Designation Act requires that the Departments of Treasury, Justice, State, and Defense and the CIA coordinate to develop a list of recommended kingpins for presidential designation by June 1 of each year. The statute permits kingpin designations at other times as well.

In accordance with PDD-42's emphasis on international cooperation and collaborations, to the extent feasible, the United States will continue to coordinate carefully with host governments concerning drug kingpins. Furthermore, the United States will continue to work cooperatively with appropriate host government authorities to pursue additional measures and leads against those significant foreign narcotics traffickers. An example of the importance of this cooperation has been the success the

Government of Colombia has had in applying the IEEPA-SDNT program against narcotics cartels in that country.

Enforcement Cases

Attorney/Accountant Case

This case involved 19 individuals in the Home Health Care service, one being both an attorney and accountant. This indictment contained 123 counts involving conspiracy, false claims, wire fraud and money laundering. The false claims involved fictitious patient claims and claims for services which were not provided.

The two primary subjects employed an attorney to incorporate four interrelated shell corporations as the controlling entities. In addition, eight nominee corporations were created to generate fictitious health care service records reflecting in-home therapy and nursing care. Health care providers including therapists, registered nurses and physicians operated the nominee corporations. To keep the health care billing, tax return filings and bank account records synchronized, the two main subjects relied on the attorney/accountant defendant.

In excess of \$4 million was laundered through bank accounts in New York, Florida and suspected offshore accounts in connection with this scheme. Numerous accounts were created at four or five separate banks for purposes of amassing and moving these funds. Cashier's checks often were purchased and even negotiated through the attorney/accountant's trust account to conceal property acquisition. This defendant was sentenced to two years in jail.

Both primary defendants were ordered to forfeit real and personal property, including the \$4 million and purchased property. They received five- and two-year prison sentences respectively. Two related case defendants laundered an additional \$2 million and were charged in a separate 33 count indictment. They were ordered to forfeit \$95,000 in currency.

Colombian Money Laundering Operation

The Department of Justice announced in November 2000 that Jose Stroh, of Cali, Colombia, pled guilty to conspiring to launder in excess of \$129 million of narcotics proceeds for various drug cartels in Colombia between 1986 and 1992.

Stroh, a fugitive Colombian national, was apprehended by the DEA in early February 2000 while attempting to pass through Panamanian customs. He was transported to Miami and eventually Connecticut to face charges.

Stroh was charged with operating a money laundering enterprise which was responsible for turning millions of dollars of proceeds generated from cocaine sales in New York, New Jersey, Connecticut, California and Mexico into Colombian pesos which he returned to the Cali narcotics traffickers.

Stroh, operating from Colombia, opened bank accounts in Panama into which the drug proceeds were delivered in the form of money orders, checks and wire transfers. Cash was transferred in suitcases, boxes, bags, and other containers. Money launderers then would convert the cash to checks or deposit it into accounts where it could be transferred anywhere in the world. Some of these funds were wired to bank accounts in Israel and Germany where the laundered funds were subsequently moved to one of two Panamanian shell corporations that Stroh controlled. Often times, the money orders were concealed inside of magazines and shipped out of the U.S. through various courier services in New Jersey to Stroh's businesses in Panama.

At the same time Stroh was negotiating with Cali Cartel intermediaries for the purchase of dollars in the United States, he was also negotiating with others for the sale of these dollars in exchange for Colombian pesos. Stroh often sold dollars to "legitimate" businesses in Colombia that needed dollars for transactions in the United States.

Stroh is scheduled for sentencing in February 2001. He faces a maximum term of imprisonment of five years, and \$5,000,000 in fines. As part of his agreement with the Government, Stroh agreed to relinquish \$930,000 in several accounts that he held at Lehman Brothers brokerage house in Miami, Florida.

Dinero Express

Dinero Express Inc. is a Dominican money remitter licensed in the states of New York, Massachusetts, New Jersey, Rhode Island, Florida, and Puerto Rico. In August 1996, three Dinero Express employees were arrested and pled guilty to money laundering violations. In addition to these arrests, two search warrants were executed on Dinero Express locations. Analysis of the search warrant documents, as well as documents provided by a cooperating defendant, revealed a money laundering operation, responsible for the laundering of approximately \$10.1 million in criminally derived proceeds through an elaborate structuring scheme.

On April 18, 2000, at the conclusion of a 7 year investigation, a Federal Grand Jury empanelled within the Southern District of New York, issued an indictment charging Dinero Express Inc., and its President, Roberto Beras with 82 counts of money laundering and currency reporting violations. The indictment went on to charge Luis Francisco Soriano, a manager of Dinero Express, with 4 counts of money laundering and currency reporting violations, as well as Maria Mendoza, clerk of Dinero Express, who was charged with 35 counts of currency reporting violations.

On December 5, 2000, the Jury ordered forfeiture of \$10 million against Dinero Express Inc. and Roberto Beras.

Operation Cashback Nets 60 Individuals

Operation Cashback is one of the largest investigations of the Black Market Peso Exchange System (BMPE) ever undertaken by the Internal Revenue Service (IRS). It culminated with the indictment of 60 individuals for money laundering in the Miami area. Of the 60 people charged, 16 defendants were Colombian nationals who were pesos brokers or business owners, 9 defendants were Colombian couriers residing in the United States, and 35 defendants were employees of 16 businesses located in the South Florida area. Since the indictments, 50 individuals have pled guilty or were found guilty. In addition to the indictments, the United States is pursuing the forfeiture of over \$3.6 million, which represented the monies associated with the laundering scheme.

The centerpiece of this investigation was an undercover storefront in operation for approximately 3 years. IRS undercover agents staffed the storefront and acted as an intermediary for Colombian money brokers to launder narcotics proceeds. The undercover agents arranged with the brokers to have couriers deliver the narcotics proceeds to the storefront. A significant portion of the money delivered was used to purchase merchandise from businesses in the Miami area. The merchandise was shipped to Colombia to complete the BMPE cycle.

Operations Powerplay & Pressure Point

In an effort to attack the illegal exportation of unreported currency derived from suspected illicit activities, Customs initiated two currency smuggling investigative efforts known as Operations Powerplay and Pressure Point. These two nationally coordinated operations focused on identifying, arresting, and prosecuting violators involved with transporting proceeds out of the United States. As a result of these two operations, Customs made 525 currency seizures totaling over \$16.8 million, resulting in 224 arrests. Customs special agents and inspectors intensified their outbound enforcement operations by targeting air, sea, and land passengers, air cargo, sea cargo, courier hubs, courier bags, inbound mail facilities, and land borders in search of unreported currency in violation of federal law.

Customs officers identified and seized bulk cash shipments concealed in automobiles, trailers, bicycle tires, food products, stereo equipment, internal body carriers, clothing, shoes, luggage, and express courier parcels. To assist in their outbound enforcement efforts, Customs used canines specially trained to sniff out cash as well as x-ray technology to scan large pieces of cargo and containers.

Customs determined that 38 percent of the seizures occurred at airports, 27 percent at land borders, 21 percent from couriers, 13 percent as result of investigations, and 1 percent from seaports. More than half of all the seized cash was destined for Mexico, the Dominican Republic, Israel, Colombia, Guatemala, and Jamaica.

Operation Southwest Express

In August 1998, the FBI initiated a nationwide investigation code named "Operation Southwest Express" targeting the San Diego-based drug trafficking organization of Omar Rocha Soto (Rocha). This multi-jurisdictional/multi-divisional investigation was carried out in conjunction with the Drug Enforcement Administration, Internal Revenue Service, Immigration and Naturalization Service, and other federal, state and local law enforcement agencies.

During the course of the operation, investigations were conducted in San Diego, California; El Paso, Texas; Houston, Texas; Cleveland, Ohio; Nashville, Tennessee; Chicago, Illinois; Boston, Massachusetts; and New York City and Utica, New York.

The Rocha organization was believed to be associated with the smuggling of ton quantities of cocaine and marijuana through Mexico, with distribution networks throughout the United States. In particular, the Rocha organization was believed to have been one of the twenty largest drug distribution organizations in the United States. The Rocha organization also laundered large quantities of U.S. currency in an attempt to disguise the profits derived from their illegal activities. Furthermore, this group utilized automobiles, tractor-trailers, and railway systems to transport illegal drugs and money to and from major American cities such as Houston, Chicago, and New York.

When Operation Southwest Express was concluded in August 1999, more than 100 subjects were indicted throughout the United States. The arrested individuals faced charges including money laundering, drug distribution, and conspiracy. During this investigation, more than 4,100 pounds of marijuana, 2,700 kilograms of cocaine, and \$1 million were seized. Additionally, the majority of the indicted subjects have either pled guilty or been convicted by federal juries.

Russian Money Laundering Operation

In February 2000, a couple pled guilty in a Manhattan federal court to a variety of charges, including conspiracy to commit money laundering, operating an unlawful banking and money transmitting business and aiding and abetting Russian banks in conducting unlawful and unlicensed banking activities in the United States. A large number of Russian individuals and businesses used this illegal banking operation to transfer and receive money in violation of Russian currency control limitations and to promote a variety of schemes to defraud the Russian government of customs duties and taxes.

This particular operation was originally centered upon a company called Benex International, Inc., in Forest Hills, Queens. Benex was small, but despite its size, it intersected in a number of ways with a world wide money laundering infrastructure. Benex had an account at the Bank of New York and during one eighteen month period, it moved more than \$4.2 billion through the account, utilizing over 8,000 monthly transactions. The head of this operation was Peter Berlin, a Russian who married a United States citizen named Lucy Edwards.

Their scheme began in late 1995, when Berlin and his wife, who then worked for the Bank of New York in Manhattan, entered into a pact with certain individuals who controlled the Russian bank DKB (Depozitarno-Kliringovy Bank). Berlin opened an account at the Bank of New York, and, with his wife's help, gained access to electronic banking software available to certain select customers. With this software Berlin and his associates were able to direct wire transfers in their account at the Bank of New York.

By early 1996, Berlin had access to the software and his wife installed it in the Forest Hills offices. Those offices served DKB. Using several Russian correspondent bank accounts opened at the Bank of New York, DKB transferred funds into the Benex account in bulk amounts on a continuous basis. DKB then issued daily instructions from its offices in Moscow to the employees in the Benex offices to transfer funds out of the Benex account, using the software, to a large number of third parties around the world.

By the fall of 1998, Berlin and Edwards had established two additional corporations (BECS International L.L.C. and Lowland Inc.) to move money. Benex, BECS and Lowland were not licensed to act as money-transmitting businesses nor were they authorized to conduct banking operations in the United States on behalf of foreign banks, but offered a back-channel method of secretly and illegally transferring funds in and out of Russia.

Ultimately, more than \$7 billion moved through the Bank of New York accounts of Benex, BECS and Lowland from February 1996 to August 1999. During this time, Berlin and Edwards received a total of approximately \$1.8 million in commissions, much of which they laundered and funneled into foreign bank accounts. In excess of \$15 million has been seized by authorities and litigation continues. The case is ongoing and many matters remain to be adjudicated.

Sergio Rubalcava Sandoval Drug Trafficking Organization

This investigation originated in August 1997 as part of the FBI undercover operation entitled "Crosswire." Sergio Rubalcava Sandoval was identified as a large-scale drug trafficker and former Baja California State Judicial Police officer with close ties to Ismael Higuera-Guerrero, a command and

control figure of the Arellano-Felix Drug Cartel.

Through various investigative methods, agents determined that Sandoval, his wife, and several of his associates in the United States purchased land, houses, boats and helicopters as a means to launder drug proceeds generated by the organization. The FBI obtained a federal indictment for Sandoval and fifteen of his associates, charging each with several counts including drug trafficking and money laundering.

On March 21, 2000, Sandoval and his wife pled guilty to drug trafficking and money laundering charges bringing the total of subjects convicted in the case to thirteen. The FBI documented over \$10 million in laundered proceeds and seized over \$1 million in assets.

Terrorist Financing Operation

In 1999, terrorists launched 392 attacks, killing 233 people and wounding 706 others worldwide.⁽¹⁾ Many of the terrorist organizations responsible for these acts are believed to have financial support infrastructures in the United States and in many other developed countries. Legislation enacted in 1996 enables us to better detect, deter and punish those who finance terrorism. United States law enforcement authorities are now aggressively using the newest tools available in the fight against terrorist financing, including laws that make it a crime to knowingly provide material support or resources to a designated foreign terrorist organization.

(1) *Patterns of Global Terrorism—1999*, United States Department of State Publication 10687, April 2000.

A wide-ranging joint FBI and Department of Treasury investigation into interstate cigarette smuggling, involving a suspected Hizballah terrorist cell operating in Charlotte, North Carolina, led to the July 21, 2000 arrest by U.S. authorities of 18 individuals. Ten days later a federal grand jury in North Carolina indicted these individuals, including seven suspected Hizballah supporters, for immigration fraud and related bribery and conspiracies; conspiring to smuggle contraband cigarettes; and conspiring to launder money. Many of the defendants continue to be detained prior to trial, while the investigation continues.

At least seven of the defendants are suspected members of, or sympathetic to Hizballah, a foreign terrorist organization designated as such under U.S. law in 1997 and again in 1999. These seven defendants appear to be providing material support or resources to Hizballah in violation of U.S. law.

The indictment alleges that seven of the indicted defendants entered into fraudulent marriages with United States citizens in order to obtain permanent resident status, which would permit them to remain indefinitely in the United States. Having arranged for presence in the United States between March 1996 and July 2000, several of the defendants smuggled large quantities of contraband cigarettes, purchasing them in North Carolina, where the state cigarette tax is \$0.50 per carton, and illicitly transporting them to Michigan for resale, where the state cigarette tax is \$7.50 per carton. During the same period, these defendants laundered the funds involved in and derived from the conspiracy through various bank and credit card accounts.

The defendants are each facing substantial periods of incarceration, criminal fines and asset forfeiture. Among the assets that may be subject to forfeiture are two residences, a BP service station, an undetermined amount of U.S. currency, five late model vehicles and 30 bank accounts. At the request of the defense, the trial will likely be continued to April 2001.

Bilateral Activities

Training and Technical Assistance

During 2000, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their law enforcement, financial regulatory, and prosecutorial counterparts around the globe. These courses have been designed to give financial investigators, bank regulators, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, and related criminal activity. Courses have been provided in the U.S. as well as in the jurisdictions where the programs are targeted.

Department of State

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) developed a fiscal year 2000 \$4.0 million program for providing law enforcement, prosecutorial and

central bank training to countries around the globe. A prime focus of the training program was a multi-agency approach to develop or enhance financial crime and anti-money laundering regimes in selected jurisdictions. Supported by and in coordination with INL, the Department of Justice, Treasury Department component agencies, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve, and non-government organizations offered law enforcement, regulatory and criminal justice programs worldwide.

During 2000, INL funded over 60 programs to combat international financial crimes and money laundering in 35 countries. Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal activity. In addition, funds were made available for intermittent posting of financial advisors at selected overseas locations. The advisors work directly with the host government to assist in the creation, implementation, and enforcement of anti-money laundering and financial crime legislation. Further, several federal agencies were provided funding to conduct multiagency financial crime training assessments and develop specialized training in specific jurisdictions worldwide to combat money laundering.

In addition to funding specific training and technical assistance anti-money laundering courses around the globe, INL provided funding for other important anti-money laundering projects in 2000. For example, funding assistance was provided for the October Pacific Rim Money Laundering and Financial Crimes Conference held in Vancouver, Canada.

Also, INL continues to fund the Caribbean Anti-Money Laundering Programme (CALP) along with funding from the European Union and the Government of the United Kingdom. The objectives of CALP are to reduce the incidence of the laundering of the proceeds of all serious crime by facilitating the prevention, investigation, and prosecution of money laundering. CALP also seeks to develop a sustainable institutional capacity in the Caribbean region to address the issues related to anti-money laundering efforts at a local, regional and international level.

INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2000, support was furnished to the Asia/Pacific Group on Money Laundering, CFATF, COE, and the FATF. In 2000, additional support was provided to the APG and COE to conduct mutual evaluation training programs for their members.

As in previous years, INL training programs continue to focus on the interagency approach and bringing together, where possible, foreign law enforcement, judicial and central bank authorities in assessments and training programs. This allows for an extensive dialogue and exchange of information. This approach has been used successfully in Asia, Central and South America, Russia, the New Independent States (NIS) of the former Soviet Union, and Central Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including those at the International Law Enforcement Academies (ILEAs).

The following summary provides a glimpse of training activities undertaken in 2000 by U.S. law enforcement agencies.

Board of Governors of the Federal Reserve System

The Federal Reserve has a long-standing commitment to combating money laundering and ensuring compliance with the Bank Secrecy Act and related suspicious activity reporting requirements by the domestic and foreign banking organizations that it supervises. Federal Reserve staff has provided training in anti-money laundering procedures to foreign law enforcement officials and central bank supervisory personnel in dozens of jurisdictions each year. Some examples include: Argentina, Brazil, Chile, Czech Republic, Ecuador, Poland, Russia, South Pacific jurisdictions, United Arab Emirates and Uruguay. In addition, training has been provided by Federal Reserve staff to U.S. law enforcement agencies including programs at the U.S. Department of the Treasury's Federal Law Enforcement Training Center and at the FBI Academy, as well as regular and frequent training for the U.S. Drug Enforcement Administration, U.S. Secret Service and the U.S. Customs Service.

Drug Enforcement Administration (DEA)

International Asset Forfeiture and Money Laundering Seminars are a part of the U.S. Department of Justice Asset Forfeiture Program conducted by the Drug Enforcement Administration's Office of Training, International Training Section. The intent of these seminars is to share, compare, and contrast U.S. legislation with that of other countries, building relationships and fostering communications with foreign narcotics enforcement and prosecutorial personnel. On average, the yearly budget allotted is \$420,000 to complete five seminars. Each seminar provides instruction to 35

to 50 high-level foreign drug law enforcement and money-laundering specialists.

DEA's primary focus for its training courses includes specialized training for foreign central bank regulators, police and customs officials, and prosecutors. Course materials include training in U.S. asset forfeiture laws, asset and financial gathering techniques, financial investigation techniques, case studies, document exploitation, and international banking.

Training is designed for one-week seminars involving lectures, presentations, case studies, and practical application exercises. Guest lecturers from various areas of the U.S. Government participate, including from the Department of Justice, the U.S. Customs Service, the U.S. Marshal Service, Board of Governors of the Federal Reserve as well as from various divisional offices of DEA.

This training is focused on cultures with economic systems developed enough to accommodate money laundering activities. All seminars are conducted in the host country. During 2000, seminars were conducted in the following locations: Hungary, Panama, Peru, Singapore, South Africa and Spain. In addition, DEA conducted a money laundering training session in Brasilia, Brazil, which was funded by the Department of State.

Federal Bureau of Investigation (FBI)

The FBI Money Laundering Unit conducts training with the goal of providing international law enforcement with the ability to adequately investigate various methods of money laundering. The training emphasizes the techniques that money launderers use to conceal or disguise the true nature of illicit cash proceeds and provides law enforcement with the ability to trace the location, source, or ownership of these proceeds.

The FBI has either exclusive or concurrent jurisdiction over 150 of the 176 "Specified Unlawful Activities" (SUAs) under the United States money laundering statutes. This expansive jurisdiction has allowed the FBI to gain extensive experience in unconventional money laundering methodologies associated with various SUAs in areas such as organized crime, drugs, violent crime, and white collar crime. This experience places the FBI in a unique position to provide expert training in traditional and non-traditional money laundering investigations across a broad spectrum of SUAs.

The FBI has also provided experts for advanced training in areas of traditional and emerging technologies such as digital cash, smart cards, Internet banking, the Black Market Peso Exchange, and bulk cash shipments. Further, the FBI provides technical assistance for the new tools that law enforcement are using to investigate money laundering activities such as geographic targeting orders, the International Emergency Economic Powers Act, and Suspicious Activity Report Task Forces.

The FBI provides training independently and in conjunction with other federal, state, and local agencies within the United States and internationally. The FBI's money laundering unit has worked with the United Nations in conferences to provide a United States perspective on successful tactics used to disrupt and dismantle money laundering industries and facilities. On other occasions, the FBI has provided independent money laundering training and briefings at the FBI Academy in Quantico, Virginia and at FBI headquarters in Washington, D.C.

During 2000, the FBI participated in money laundering and financial crimes training courses in: Chisinau, Moldova; Islamabad, Pakistan; Panama City, Panama; Warsaw, Poland; Volgograd, Russia; Irkutsk, Russia; Bratislava, Slovakia; Kiev, Ukraine; and Hanoi, Vietnam.

Financial Crimes Enforcement Network

FinCEN, the U.S. financial intelligence unit (FIU), has an international training program that focuses on providing training and technical assistance to a broad spectrum of foreign government officials, financial regulators, law enforcement personnel, and bankers. This training covers a wide variety of topics, including money laundering typologies, the creation and operation of FIUs, assistance in the establishment of comprehensive anti-money laundering regimes, computer systems architecture and operations, and assessments of country-specific money laundering regimes and regulations. FinCEN also works closely with the Egmont Group of FIUs to provide training and technical assistance to various jurisdictions for establishing and operating their own FIUs.

FinCEN participated in four seminars in El Salvador in 2000 to train Salvadoran officials on anti-money laundering techniques. Seminars in March and May focused on training personnel of the newly formed financial intelligence unit. A July seminar trained members of the banking Superintendency, as well as compliance officers from various private banks, on money laundering and compliance issues and in September a seminar focused on training tax auditors and investigators.

FinCEN conducted two personnel exchanges with the Korean and Belgian FIUs. Additionally, FinCEN provided financial intelligence unit and money laundering briefings to visitors from a number of jurisdictions including Argentina, Armenia, Australia, the Bahamas, Brazil, Canada, China, Costa Rica, Dominican Republic, Germany, Greece, Hong Kong, India, Indonesia, Isle of Man, Jamaica, Jersey, Kazakhstan, Lebanon, Italy, Liechtenstein, Nauru, Netherlands, Palau, Russia, Seychelles, Switzerland, St. Vincent and the Grenadines, Taiwan, Thailand, Tonga, and the United Kingdom.

In May 2000, FinCEN was invited by the UN Global Programme against Money Laundering to give several presentations at a weeklong joint UN/GCC seminar on money laundering that was held in Abu Dhabi. In August 2000, FinCEN organized and took part in a three-day seminar in Montevideo for 60 Uruguayan bankers, prosecutors, and law enforcement officials. FinCEN also participated in several U.S. Secret Service organized financial crimes training seminars in Russia and China during the year.

FinCEN participated in an interagency team visit to the South Pacific to assess the feasibility of creating a regional Financial Intelligence Unit there. The assessment team also included representatives from the Asia Pacific Group on Money Laundering, South Pacific Forum Secretariat, Australia and New Zealand. The team visited Fiji, the Cook Islands, Vanuatu and Samoa.

FinCEN hosted three visits in 2000 by members of the task force setting up Korea's FIU. The first visit in May focused on orientation; the second visit in July covered information technology experts who will develop systems to store and exploit SAR and CTR data envisioned in Korea's anti-money laundering legislation. The third visit, which occurred in October 2000, was a financial analysis course for Korean FIU analysts and investigators.

During the week of October 30, a FinCEN analyst traveled with a State Department INL representative to Paraguay to assess the status of the country's anti-money laundering program. The team conducted meetings with Paraguay's FIU, the antidrug secretariat, the Attorney General, the central bank President, and the Superintendent of Banks. FinCEN also conducted two briefings for private banking officials.

In October, FinCEN participated in an interagency money laundering training assessment trip to China. The delegation met with senior officials of the Ministry of Public Security, People's Bank of China, Supreme People's Procuratorate, National Audit Office, Ministry of Finance and the State Administration of Taxation, along with Beijing-based executives of some U.S. banks.

As follow-on to the China visit, the U.S. Consul General in Hong Kong requested that the China assessment delegation visit Macau to discuss the jurisdiction's anti-money laundering regime. Macau agencies visited included the Macau Association of Banks, Judiciary Police, Monetary Authority of Macau, Macau Special Administrative Region's Legislative Affairs Office, and unofficial meetings with a casino representative and a Macanese police officer.

In December, FinCEN hosted delegations from Nigeria, Tanzania, and South Africa for discussions on anti-money laundering legislation. The participants were briefed on U.S. laws, regulations and programs of implementation. Individual meetings were held with each delegation to consult on its country's efforts in this area. The intent of the program was to provide each country with a clearer understanding of the requirements of current anti-money laundering recommendations and to develop an understanding of the political climate and legislative processes in each country.

Internal Revenue Service

The Internal Revenue Service (IRS), Criminal Investigations Division, International Training Program is one segment of the IRS international strategy. IRS focuses its training on investigative techniques courses involving financial crime and money laundering. The goal of this training is to provide assistance to foreign governments in establishing or enhancing money laundering, criminal, tax and asset forfeiture laws. In addition, the training program provides assistance in the investigation of violations of these laws and promotes enhanced anti-money laundering regimes that conform to international standards.

IRS develops and conducts training courses independently, as well as with other agencies. In some instances these courses are developed jointly with other law enforcement agencies to address a specific need. IRS participates on an ad hoc basis with other agencies as part of their curricula and invites other agencies to participate in IRS training.

Training led by IRS during 2000 included:

- Financial Investigative Techniques training in Lagos, Nigeria, Ufa, Russia and Budapest, Hungary.
- Money laundering training in Kazan, Russia, Beijing, China and Mexico City, Mexico.
- Advanced money laundering training in Mexico City, Mexico.
- Complex Financial Investigations training in Bangkok, Thailand (taught jointly with the U.S. Customs Service).

IRS participates in the core course program at ILEA Budapest and ILEA Bangkok. IRS also participated in training sponsored by other USG agencies in Romania, Costa Rica, and Russia. In addition, the IRS took part in a training needs assessment in Dar es Salaam, Tanzania.

Department of Justice

The Overseas Prosecutor Development and Training Section (OPDAT) of the Criminal Division is the primary source for the training of foreign prosecutors, judges and law enforcement for the Department of Justice. During 2000, OPDAT sponsored 13 seminars throughout the world that dealt in whole or in part with money laundering and asset forfeiture issues. Approximately 800 students received training in transnational money laundering, international asset forfeiture and asset sharing. Additionally, the Asset Forfeiture and Money Laundering Section conducted an Asset Forfeiture and Money Laundering conference in Buenos Aires, Argentina which included approximately 200 prosecutors and law enforcement officials from Argentina, Brazil, Paraguay, Uruguay and Bolivia.

Secret Service

The Secret Service continues to be extensively involved in training foreign government officials and law enforcement in the areas of financial fraud schemes and counterfeit U.S. currency investigations. In 2000, the Secret Service taught foreign officials to identify and investigate violations that impact on their jurisdictions as well as those of the Secret Service. Specific financial fraud schemes involving credit cards, smart cards, electronic fund transfers, fictitious financial instruments, "4-1-9" advance fee fraud, cellular telephone fraud, skimming, telemarketing fraud, identity theft and other types of schemes were highlighted. These crimes represent the underlying Specific Unlawful Activities (SUA's) that provide the nexus for the Secret Service to conduct money laundering investigations.

The goal of the Secret Service foreign training program is to train and assist the foreign participants with their financial systems, and to establish a permanent conduit for information exchange and liaison. The previously mentioned SUA's were highlighted in an effort to concentrate all available resources on the root of the criminal activity.

Training programs have varied depending on the foreign participants. The training initiative throughout 2000 proved invaluable in fostering a heightened awareness for foreign government officials and law enforcement in the identification of systemic weaknesses within financial systems. In training foreign law enforcement officials, the Secret Service conducted comprehensive programs that included an emphasis on crimes involving electronic commerce.

Smart cards, generally issued by non-banking financial service providers such as large brokerage houses, operate completely outside of any U.S. government regulations. This lack of regulatory oversight creates vulnerability as no record is created or maintained on the transfer of data. In theory, financial information and monetary funds can be accessed, manipulated, and transferred to or from an account, or from card to card, with no "footprint" being made. Systems that support this industry can move billions of dollars a day through computer networks that often are not regulated or controlled by any government entity.

Skimming is the unauthorized capture and replication of data from a person's credit card through the use of a small, hand-held device, which can later be used to download the information for illicit purposes. The ease and speed with which information can be gathered and used for illegal purposes in a skimming operation represents a threat to financial institutions around the world. The Secret Service has trained foreign law enforcement officials about the type of equipment, manner of operation, and distribution methods for the information taken from unsuspecting credit card holders. Industry sources have estimated that skimming outside of the United States alone affects approximately one hundred seventy five different businesses per week. This large number of compromised points of sale has the potential to cause many millions of dollars in fraud losses.

During 2000, the Secret Service, using INL-provided funds, conducted training for foreign law

enforcement and financial institutions in China, Nigeria, Bulgaria, and Lithuania. Additional presentations were made at the ILEAs in Budapest, Hungary and Bangkok, Thailand. The Secret Service provided independent classes in Greece, Romania, Mexico, Italy, Bulgaria, Columbia, and at the Interpol conference in Lyon, France.

One of the more notable examples of interagency cooperation occurred when the Senior Special Agent assigned to the U.S. Embassy in Lagos, Nigeria, working with the embassy's country team, collaborated on an investigation into a "4-1-9" type financial crime. A bank in North Carolina had been victimized when approximately \$425,000 was wired to Lagos. Thanks to the swift and aggressive action by the Secret Service and Department of State, the entire amount of the fraud scheme was recovered and returned to North Carolina.

United States Customs Service

The U.S. Customs Service (USCS), Office of Investigations, Financial Investigations Division continues to be extensively involved in the INL-sponsored multi-agency international money laundering training programs. Drawing on its expertise in undercover drug money laundering as well as traditional money laundering investigations, the USCS strives to impart its considerable experience to law enforcement, regulatory, and banking officials identified by INL.

As host or co-host with numerous other federal agencies, the USCS conducted anti-money laundering and financial crime seminars domestically and abroad for officials from sixteen nations. Approximately 725 representatives from foreign nations received USCS anti-money laundering training in FY2000.

United States Department of Treasury Office of Technical Assistance (IET)

Treasury's Office of Technical Assistance is located within the Office of the Assistant Secretary for International Affairs. The office delivers interactive, advisor-based assistance to senior level representatives in various ministries and central banks in the areas of tax reform, government debt issuance and management, budget policy and management, financial institution reform, and more recently, law enforcement reforms related to money laundering and other financial crimes.

In 1997, the Enforcement Program was added to Treasury's advisory office. It is a long-term, advisor-based program developed out of concern that financial crime, corruption, organized criminal enterprises, and other criminal activities were undermining economic reforms promoted by the Department of the Treasury. The Enforcement Program essentially focuses on the development of legal foundations, policies, and organizations in three areas: (1) money laundering and other financial crimes, (2) organized crime and corruption, and (3) the reorganization of law enforcement and financial entities in developing economies to help them prevent, detect, investigate and prosecute sophisticated international financial crime. The Enforcement Program relies on intermittent advisory trips to deliver its technical assistance. It works with embassy staff and host country clients on long-term projects designed to promote systemic changes and new organizational structures. The program receives most of its funding and outside guidance from the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). Originally operating in only two countries using Treasury funds, the last two years have seen a rapid expansion of the program with the support of INL funding. The program has now given technical assistance to over a dozen countries throughout the world. The demands on the program are likely to increase even further as international anti-money laundering efforts increase.

The Enforcement Program is comprised of a group of approximately 30 highly experienced advisors with backgrounds in various areas of financial and economic crimes such as money laundering, white collar crime, organized crime, securities fraud, internal affairs and corruption, criminal law, and organization administration. Most advisors have previously held responsible positions with U.S. law enforcement and regulatory organizations or prosecutors with the Department of Justice. In addition, the office cooperates closely in its programs with all components of Treasury and Justice law enforcement, especially FinCEN, IRS, USSS and USCS.

During 2000 extensive projects were conducted in a number of countries. For example in Armenia the "Armenia" Enforcement Team provided technical assistance in the areas of financial crimes, organized crime, gaming crimes, and insurance fraud. To assist in establishing an effective liaison with U.S. law enforcement, the Enforcement Team arranged for the Armenian Prosecutor General and other assistants to meet with appropriate U.S. officials in Washington, DC and in Los Angeles. Finally, the team facilitated the assessment of a program to develop a centralized computer system for the Office of the Prosecutor General and Directorate Six.

The Enforcement Team also played a significant part in drafting and implementing the anti-money laundering law in El Salvador. It has helped to design, staff and build the El Salvador Financial Investigation Unit (FIU), under the direction of the Attorney General. The team sponsored a visit by members of the FIU and the Attorney General to the FIUs in Mexico and Costa Rica so they could learn from their regional counterparts. The team then helped train the members of the FIU, along with some judges and prosecutors, in aspects of money laundering and financial crimes investigation. Additionally, training courses on Financial Crimes were provided to the Superintendent of Banking and the Finance Ministry.

In Georgia, the "Georgia" Enforcement Team in cooperation with USAID, the U.S. Department of Justice, and the U.S. Securities and Exchange Commission, completed a report on the enforcement authorities of the National Securities Exchange. Working cooperatively with the U.S. Department of Justice, it has assessed the adequacy of Georgia's Law on Conflict of Interest and Corruption, and the practical application of its reporting regime.

The Enforcement Team developed and delivered two separate training programs designed to enhance the forensic accounting abilities of the Indonesian Bank Restructuring Agency (IBRA) personnel and to provide knowledge and abilities relating to financial investigations and asset recovery. The first program addressed the needs of attendees as they related to anti-corruption and general forensic accounting and financial crime investigative principles and techniques. The second addressed these principles and techniques along with asset recovery techniques as they related to specific cases being investigated by IBRA, as well as providing specific case direction and investigative and prosecutorial strategies. Assistance was centered on methods of identifying assets constituting bank fraud proceeds, tracing such proceeds to the U.S., and repatriating those assets once identifications were complete. The Indonesians also met with the FBI, DOJ prosecutors, Customs, Interpol and other U.S. government representatives regarding cooperation and coordination of future assistance that may be useful in detecting, investigating and prosecuting violations of U.S. law as well as repatriating the proceeds from Indonesian bank fraud.

In Moldova, the Enforcement Team provided technical assistance to the drafters of the economic and financial crime section of the criminal procedure code currently under consideration in Parliament. The team also provided technical assistance to the drafters of the proposed anti-money laundering law. The team assisted the Finance Ministry in organizing a tax evasion enforcement unit and a bank fraud working group. The team also provided specialized forensic training and assistance in combating credit card fraud, document fraud, and developing the capabilities of the government's forensic laboratories.

Advisors from the Enforcement Team also made visits to Peru and Malaysia to assist in drafting and discussing proposed anti-money laundering legislation.

International Law Enforcement Academies (ILEAs)

The ILEA training academies around the globe conduct a variety of law enforcement courses to mid-level managers. Core law enforcement training courses include modules on financial crime and money laundering. In addition, financial crime and money laundering seminars for senior law enforcement officials have been conducted in 2000.

Europe

The ILEA in Budapest, Hungary offers a core law enforcement training course targeted at mid-level managers in the police and criminal justice services of Central Europe and the New Independent States. Over 1,300 officials from 25 countries have successfully completed this course. In addition to this program, ILEA Budapest also offers regional seminars and specialized training courses. More than 3,500 criminal justice officials have participated in such courses.

Asia

The ILEA for Southeast Asia opened in March 1999, in Bangkok, Thailand. The curriculum and structure of this Academy is similar to that in Budapest, except for the duration of the core course and an added emphasis in narcotics matters. ILEA Bangkok also offers specialized courses in a wide range of topics. Over 1,000 officials from 10 Southeast Asian nations have attended these courses.

The Americas

For the Western Hemisphere, we offered a core course similar to Bangkok's—tailored to regional needs—for officials from Central America and the Dominican Republic. Two pilot courses were conducted in Panama in 1997 at a temporary site. Sixty-four participants attended these courses. All

activities of this Academy have been temporarily suspended, pending a review to determine its permanent location.

Africa

The interagency group responsible for the ILEAs is taking steps aimed at the establishment and operation of an ILEA for Southern Africa, to be located in Gaborone, Botswana. The overall format for this new Academy will be similar to the other three, adjusted to suit the needs of the region.

Treaties, Agreements, and Other Mechanisms for Information Exchange

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and ancillary matters. In money laundering cases, they can be extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, including money laundering and asset forfeiture, are in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Canada, Czech Republic, Dominica, Estonia, Grenada, Hong Kong SAR, Hungary, Israel, Italy, Jamaica, Latvia, Lithuania, Luxembourg, Mexico, Morocco, the Netherlands, Panama, the Philippines, Poland, South Korea, Spain, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Switzerland, Thailand, Trinidad and Tobago, Turkey, the United Kingdom, the United Kingdom with respect to its Caribbean overseas territories (Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks and Caicos Islands), and Uruguay. MLATs have been signed by the United States but not yet brought into force with the following countries: Belize, Brazil, Colombia, Cyprus, Egypt, France, Greece, Nigeria, Romania, Russia, South Africa, Ukraine, and Venezuela. The United States has also signed the Organization of American States MLAT and the UN Convention against Transnational Organized Crime. The United States is actively engaged in negotiating additional MLATs with countries around the world. The United States has also concluded executive agreements for cooperation in various criminal matters with Russia, Haiti, the Philippines, and Venezuela. Comparable executive agreements with Nigeria, Singapore and China are signed but were not yet in force as of the end of 2000.

In addition, the United States has entered into executive agreements on forfeiture cooperation, including: (1) an agreement with the United Kingdom providing for forfeiture assistance and asset sharing in narcotics cases; and (2) a forfeiture cooperation and asset sharing agreement with the Kingdom of the Netherlands. The United States has asset sharing agreements with Canada, the Cayman Islands (which was extended to Anguilla, British Virgin Islands, Montserrat, and the Turks and Caicos Islands), Colombia, Ecuador, and Mexico.

To facilitate the ongoing exchange of information to combat money laundering, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has fostered information exchange with other financial intelligence units (FIUs) around the globe, as well as, on a case by case basis, law enforcement and regulatory agencies of foreign governments. In a few cases (Argentina, Australia, Belgium, France, Mexico, Slovenia, Spain and the United Kingdom), information exchange arrangements involving FinCEN and other FIUs have been reduced to writing in the form of memoranda of understanding (MOUs) or an exchange of letters. Prior to the establishment of these types of information exchange arrangements, the United States in limited circumstances entered into cooperation agreements referred to as Financial Information Exchange Agreements (FIEAs) for the exchange of "currency transaction information" with the governments of certain Latin American countries (Colombia, Ecuador, Mexico, Paraguay, Peru and Venezuela). FinCEN's methods of exchanging information with other FIUs as described above are intended to supplant the old FIEA model.

The United States has Customs Mutual Assistance Agreements (CMAAs) with the European Community and with the following countries: Argentina, Australia, Austria, Belarus, Belgium, Canada, Colombia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Honduras, Hungary, Ireland, Israel, Italy, Japan, Kazakhstan, Latvia, Mexico, Mongolia, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Slovakia, South Korea, Spain, Sweden, Ukraine, United Kingdom and Yugoslavia. (The U.S. view is that the Socialist Federal Republic of Yugoslavia (SFRY) has dissolved and that the CMAA continues to apply to the successors that formerly made up the SFRY—Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Slovenia, and the Federal Republic of Yugoslavia). The United States has CMAAs, negotiated but not yet in force, with the following countries: PRC, Lithuania, Panama, the Philippines, South Africa, Turkey, and Venezuela. All of the agreements are patterned after a Customs Organization Model CMAA. Since assistance can be provided in the enforcement of any laws related to customs, the U.S. Customs

Service uses these agreements to assist in the gathering of information and evidence for criminal and civil cases involving trade fraud, smuggling, violations of export control laws, and most recently, in the growing effort to combat narcotics trafficking and money laundering.

Asset Sharing

Pursuant to 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the United States is authorized to share assets with countries that facilitate the forfeiture of criminal proceeds. Under this authority, the Departments of Justice, State and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of drug trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics law enforcement. The long-term goal has been to encourage governments to improve asset forfeiture laws and procedures, so that they will be able to conduct investigations and prosecutions of drug trafficking and money laundering which includes asset forfeiture. The United States and its partners in the G-8 are currently pursuing a program to strengthen asset forfeiture and sharing regimes. To date, Canada, Cayman Islands, Hong Kong, Jersey, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From its inception in 1989 through December 2000, the international asset-sharing program administered by the Department of Justice has resulted in the forfeiture in the United States \$389,229,322.96 of which \$169,397,852.33 was shared with foreign governments that cooperated and assisted in the investigations. In 2000, the Department of Justice transferred forfeited proceeds to Barbados (\$100,000.00); Canada (\$37,809.97); Ecuador (\$14,850.00); Hong Kong (\$907,403.00); Switzerland (\$226,447.88); Thailand (\$19,144.00) and United Kingdom (\$612,500.00). Prior recipients of shared assets (1989-1999) include: Argentina, the Bahamas, British Virgin Islands, Canada, the Cayman Islands, Colombia, Costa Rica, Ecuador, Egypt, Guatemala, Guernsey, Hungary, Isle of Man, Israel, Liechtenstein, Luxembourg, Netherlands Antilles, Paraguay, Romania, Switzerland, the United Kingdom and Venezuela.

From its inception in 1995 through December 2000, the international asset sharing program administered by the Department of Treasury has resulted in the forfeiture in the United States of approximately \$13,404,441.00 of which \$6,412,864.00 was shared with foreign governments which cooperated and assisted in the investigations. In 2000, the Department of Treasury transferred forfeited proceeds to Cayman Islands (\$2,680,803.00); Canada (\$241,446.00); Dominican Republic (\$63,885.00); Netherlands (\$1,717,213.00); Portugal (\$85,840.00); Switzerland (\$903,934.00) and United Kingdom (\$719,743.00). Prior recipients of shared assets (1995-1999) include Aruba, the Bahamas, Canada, the Cayman Islands, Egypt, Guernsey, Jersey, Mexico, Qatar, Switzerland, and the United Kingdom.

Multilateral Activities

Financial Action Task Force

The Financial Action Task Force on Money Laundering (FATF), which was established at the G-7 Economic Summit in Paris in 1989, is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering. In 1990, the FATF issued Forty Recommendations to fight this phenomenon. The Recommendations were revised in 1996 to reflect changes in money laundering trends. These recommendations are designed to prevent proceeds of crime from being utilized in future criminal activities and from affecting legitimate economic activities.

In June 2000, membership of the FATF expanded from 26 to 29 governments(1) and two regional organizations(2), representing the major financial centers of North America, Europe and Asia. Argentina, Brazil and Mexico, who had participated in the work of the FATF as observers since September 1999, were accepted as full members. The delegations of the Task Force's members are drawn from a wide range of disciplines, including experts from the Ministries of Finance, Justice, Interior and External Affairs, financial regulatory authorities and law enforcement agencies.

(1) Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Turkey; the United Kingdom and the United States.

(2) European Commission and Gulf Co-operation Council.

FATF focused on several major initiatives during 2000. As mentioned, FATF took concrete steps to

enlarge its membership with the completions of the mutual evaluations of Argentina, Brazil and Mexico. The principal objective of these evaluations was to determine whether these countries complied with certain fundamental anti-money laundering requirements, the implementation of which is a pre-condition to becoming a full member of the FATF.

Throughout 2000, the FATF continued its efforts to persuade Austria to eliminate its system of anonymous savings passbooks. On February 3, 2000, the FATF decided to suspend Austria as one of its members in June 2000 unless action was taken to eliminate anonymous passbooks. Following this unprecedented move, the Government of Austria took the appropriate steps to meet the conditions required by the FATF and thus avert suspension of its membership, through new legislation and issuance of a banking circular.

The year 2000 also marked the completion of FATF's first phase of the important work on Non-Cooperative Countries or Territories (NCCTs). This work resulted in the June publication of a report entitled *Review to Identify Non-Cooperative Countries and Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures*(1). This report describes the process and provides summaries of jurisdictions considered to be of concern. The aim of the work is to enhance the level of protection for the world's financial system and to prevent the circumvention of the anti-laundering measures introduced over the last ten years. To ensure transparency and sound operation in the international financial system, it is desirable that all financial centers across the world have comprehensive controls, regulations and supervisory arrangements in place and that all financial agents assume anti-money laundering obligations.

(1) This report can be found on the FATF home page at <http://www.oecd.org/fatf>.

To tackle this question, FATF established an Ad Hoc Group on NCCTs to discuss in more depth the action to be taken with regard to these countries and territories. Throughout 2000, the Ad Hoc Group on NCCTs met in the margins of all FATF Plenary meetings, and autonomously on May 24-25, 2000 in Paris. After the FATF adopted criteria for defining non-cooperative countries and territories, 29 jurisdictions were selected for review in February 2000. The assessments took place between February and June. Fifteen of those countries (Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russia, St. Kitts and Nevis and St. Vincent and the Grenadines) were identified in the report as having serious deficiencies in their anti-money laundering systems and thus named "non-cooperative." Immediately following the issuance of the June NCCT report, the G-7 members issued advisories to their financial institutions recommending increased scrutiny of transactions involving these jurisdictions. A number of other FATF members followed with similar advisories.

The FATF then determined that additional jurisdictions should be examined in the second round of NCCT reviews and took stock of the progress made by the 15 jurisdictions identified in June. On October 5, 2000, the FATF issued a press release that welcomed the significant, rapid progress made by many of the jurisdictions that it had identified in June as "non-cooperative" in the fight against money laundering. As of October, seven of the NCCTs (Bahamas, Cayman Islands, Cook Islands, Israel, Liechtenstein, Panama and St. Vincent and the Grenadines) had enacted legislation to address deficiencies identified by the FATF and several others had taken steps or made political commitments to do the same. The FATF decided to monitor progress towards meeting international standards and addressing the deficiencies previously identified. For example, in the context of the dialogue initiated by the FATF's NCCT exercise, the Governor of the Central Bank of Seychelles informed the FATF President that the Economic Development Act 1995 has been repealed on July 25, 2000. The FATF therefore lifted Recommendation 21 against the Seychelles.

In February 2001, FATF issued a press release acknowledging that seven jurisdictions—the Bahamas, the Cayman Islands, the Cook Islands, Israel, Liechtenstein, the Marshall Islands and Panama—have enacted most, if not all, legislation needed to remedy the deficiencies identified in June 2000. On the basis of that progress, those seven jurisdictions have been invited to submit to FATF implementation plans to enable FATF to evaluate the actual implementation of the legislative changes. The FATF will be assessing the progress made by these jurisdictions during 2001 to determine whether any jurisdictions should be removed from the list of NCCTs. These assessments will be done initially by the FATF review groups, including through face-to-face meetings, and will be discussed as a priority item at each Plenary of FATF. In making these assessments, the FATF will look for the existence of comprehensive and effective anti-money laundering systems. Decisions to add or delete countries from the list published in June 2000 will be taken in the FATF Plenary in June 2001.

In deciding whether a jurisdiction should be removed from the list, the FATF Plenary must be satisfied that the jurisdiction has addressed the deficiencies previously identified. The FATF will rely on its

collective judgment, and will attach particular importance to reforms in the area of criminal law, financial supervision, customer identification, suspicious activity reporting, and international co-operation. As necessary, legislation and regulations will need to be enacted and have come into effect before removal from the list can be considered. In addition, the FATF will seek to ensure that the jurisdiction is implementing the necessary reforms. Thus, information related to institutional arrangements, as well as the filing and utilization of suspicious activity reports, examinations of financial institutions, and the conduct of money laundering investigations, will be considered.

In 2000, the FATF agreed to initiate a review of the Forty Recommendations, including the issues of particular concern for anti-money laundering purposes identified in the June 2000 Report on NCCTs. The FATF discussed how best to approach this exercise and agreed that work should begin to conduct an initial examination on the specific issues of concern with the goal of establishing one or more working groups in 2001. The three major issues of concern are the identification of clients (e.g. through eligible introducers or through electronic banking transactions); non-financial professions (e.g. lawyers, accountants: a.k.a.: gatekeepers), and non-corporate entities (e.g. international business companies and trusts). This work will involve the participation of all FATF member countries as well as FATF-style regional bodies. It is also envisaged that FATF will involve the private sector at some stage of this review.

Under the chairmanship of the United States, the annual study of money laundering typologies was published in February 2000(1). The report was based on a meeting of experts, which was conducted in Washington, DC on November 18-19, 1999. This report covered the vulnerabilities of Internet banking; the increasing reach of alternative remittance systems; the role of company formation agents and their services; international trade-related activities as a cover for money laundering; and specific money laundering trends in various regions of the world. The 1999-2000 report represented the first time countries outside of the FATF participated in the typologies exercise making it an unprecedented and truly global review of anti-money laundering activity. On December 6-7, 2000 FATF conducted its subsequent experts meeting in Oslo, Norway. The specialized topics included on-line banking, trusts and other non-corporate entities, non-financial professionals, and the role of cash and alternate payment systems. The results of this meeting were published in February 2001.

The Gulf Co-operation Council (GCC) is in the unique position of being a member of FATF, but with non-FATF member countries as its constituents(2). During 2000, noticeable progress was made to improve the implementation of effective anti-money laundering systems within the GCC States. On January 17-18 2000, in Riyadh, the GCC held a technical seminar for its member States with the participation of the FATF Secretariat on the subject of self-assessment and mutual evaluation procedures. In addition, five members of the GCC (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates) have agreed to undergo a mutual evaluation. The first on-site visit of these evaluations took place in Bahrain on June 5-7, 2000, and will be followed by other examinations.

(1) This report can be found on the FATF home page at <http://www.oecd.org/fatf>.

(2) Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

The current mandate of the FATF, as agreed at a meeting of FATF's Ministers on April 28, 1998, calls for close co-operation with the relevant international organizations and in particular the international financial institutions (IFIs). Throughout 2000, the FATF discussed how to better incorporate measures against financial abuse into the IFIs activities. Mainly, the issues focused on information sharing between the FATF and the International Monetary Fund (IMF), the availability of FATF experts to participate in IMF reviews and assessments, and the extent to which the FATF 40 Recommendations might appropriately be included in structural assessments performed by the IMF

The FATF continued to analyze the question of co-operation between anti-money laundering authorities and tax administrations. The objectives of this co-operation were to ensure that suspicious transaction reporting obligations were not undermined by the so-called "fiscal excuse" and to permit, to the fullest extent possible, the exchange of information between anti-money laundering and tax authorities without jeopardizing the effectiveness of anti-money laundering systems. On February 3, 2000, the FATF and OECD Committee on Fiscal Affairs held a second informal contact meeting to consider the issue of cooperation between tax authorities and anti-money laundering authorities. While it was agreed that tax and anti-money laundering authorities have distinct priorities, work on cooperation issues will continue in the future.

One of the FATF's goals is to encourage co-operation with the private sector in the development of policies and programs to combat money laundering. To further this aim, a third Forum was convened on February 4, 2000 with representatives from the financial services industry and accounting

professions⁽¹⁾. The purpose of this event was to discuss with the private sector, areas of common interest and the best way to develop measures to prevent and detect money laundering through the financial community. Four general topics were addressed in the Forum: current money laundering trends, feedback to institutions reporting suspicious transactions, the role of the accounting profession in identifying and discouraging money laundering and the issues raised by the wire transfers of funds.

(1) Representatives attended the Forum from FATF members, national banking, financial and accounting associations, and companies such as SWIFT and Western Union. Delegates from international financial services industry and accounting organizations (European Banking Federation, International Banking Security Association, European Insurance Committee, European Savings Banks Grouping, International Federation of Accountants, European Federation of Accountants and the Federation of European Stock Exchanges) also attended.

During the year, the Ad Hoc Group on Estimating the Magnitude of Money Laundering held several meetings, including a two-day Technical Workshop on estimating drug trafficking proceeds. As a result of this work, an expert consultant prepared a report to the Ad Hoc Group. The report examined a range of national and international efforts to quantify the value of illicit drug sales on either a global or national basis. The purpose of the study was to identify and assess alternative approaches for estimating total revenues generated annually by sales of cocaine, heroin and cannabis globally and in each of the 29 FATF members and observer members. Due to data and analytical constraints, the FATF decided to end this work at this stage. However, several international organizations and interested FATF members are continuing to work to improve the available data, and will also continue to work to address the problem.

Africa FATF-Style Bodies

Two FATF-style regional bodies are in various stages of development on the African continent:

Eastern and Southern African Anti-Money Laundering Group

Tanzanian authorities are working with other governments in the region to further develop the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG). The group was launched at a meeting of Ministers and high-level representatives in Arusha, Tanzania, in August 1999 and held its first meeting in April 2000. Following the signature of its Memorandum of Understanding by seven jurisdictions, the ESAAMLG came into formal existence. The group will maintain its Secretariat in Dar es Salaam. The ESAAMLG recently appointed its first secretary and early plans call for the group to study the impact of money laundering in the region and to produce a typologies report on arms trafficking and the cash economy.

Kenya, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Tanzania, Uganda have now signed the ESAAMLG Memorandum Of Understanding (MOU) and are considered members. Botswana and Zambia have both completed the necessary preparations to sign in the very near future. Lesotho, Swaziland and Zimbabwe are also nearing completion of preparatory work and are expected to sign the MOU at a later date. It is hoped that South Africa will also sign in the future. Work on an ESAAMLG web program is progressing with the designation of national contact points and the start of an effort to collect copies of relevant money laundering legislation. The group has established three standing subgroups (legal, financial and law enforcement) to begin dealing in more detail with anti-money laundering issues in each of these areas. Funding for the ESAAMLG is another major issue that still must be resolved for the group to be able to move forward.

Inter-Governmental Action Group against Money Laundering (GIABA)

The first meetings of GIABA⁽¹⁾, established by the December 1999 Decision of the Heads of State and Government of ECOWAS (Economic Community of West African States), were held in Dakar, Senegal, in November 2000. GIABA members include: Benin, Cape Verde Islands, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mauritania, Mali, Niger, Nigeria, Senegal, and Togo.

The meeting adopted the statutes and explored ways of financing the GIABA. The statutes endorse the Forty Recommendations, recognize the FATF as an observer and provide for self-assessment and mutual evaluation procedures to be carried out by GIABA. While the text prepared by the experts provided for a strong involvement of ECOWAS in the activities of GIABA, the Ministers agreed to give more autonomy to the new body. As an interim measure, Senegal offered to provide a provisional structure until the formal establishment of GIABA.

Essential issues such as the location of the headquarters and the selection of the Executive Secretary of GIABA were not discussed. However, one possibility considered in the margins of the meetings was to establish the Secretariat in Senegal (Dakar) and to appoint a representative from an English

speaking country of the region (Nigeria was mentioned) as head of the Secretariat.

Asia/Pacific Group on Money Laundering

The Asia/Pacific Group on Money Laundering (APG) Secretariat is the focal point for APG activities. Currently the APG is comprised of nineteen members⁽²⁾ from South Asia, Southeast and East Asia and the South Pacific. There are also seven observer jurisdictions⁽³⁾ and thirteen observer international and regional organizations⁽⁴⁾. The purpose of the APG is to ensure the adoption, implementation and enforcement of internationally accepted anti-money laundering standards as set out in the 40 Recommendations of the Financial Action Task Force (FATF).

(1) Groupe Intergouvernemental d'Action contre le Blanchiment en Afrique

(2) Australia, Bangladesh, Chinese Taipei, Fiji Islands, Hong Kong, China, Japan, India, Malaysia, New Zealand, Pakistan, Republic of Indonesia, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States of America, Vanuatu.

(3) Brunei Darussalam, Canada, Cook Islands, Macau, China, Nepal, Burma, Vietnam.

(4) ASEAN Secretariat, Asian Development Bank, Commonwealth Secretariat, Egmont Group of Financial Intelligence Units of the World, Financial Action Task Force Secretariat, International Development Law Institute, International Monetary Fund, Interpol, Offshore Group of Banking Supervisors, South Pacific Forum Secretariat, United Nations Office of Drug Control and Crime Prevention, The World Bank, World Customs Organization.

During 2000, the APG held one plenary meeting in Sydney on May 31—June 2, 2000 hosted by Australia. The meeting resulted in an expansion of the APG Terms of Reference, which included distinctive membership criteria, a commitment to implementing the FATF 40 Recommendations, a budget for the APG Secretariat and a requirement that each APG member commit itself to a mutual evaluation. The APG also agreed on a strategic plan that includes, among other initiatives, self-assessment exercises, a training and technical assistance strategy and typologies workshops. This meeting also noted the enactment of anti-money laundering legislation in several jurisdictions. The next plenary meeting of the APG will be held May 22-24, 2001 in Kuala Lumpur, Malaysia.

In March 2000, the APG conducted its third typologies workshop in Bangkok, Thailand which received a report on underground banking and alternative remittance systems, examined the use of false identities for money laundering purposes and identified some other current money laundering methods being used in the region. The APG will continue and expand its typologies work in close consultation with the FATF and other regional bodies. The next APG Typologies Meeting will take place in Singapore in October 2001. There will also be a meeting of and report from the APG Working Group on Underground Banking and Alternative Remittance Systems.

An extremely positive development was the APG's commencement of a mutual evaluation program. At the Sydney meeting, the APG approved its first mutual evaluation report (of Vanuatu), which was jointly conducted with the Offshore Group of Banking Supervisors (OGBS). The APG has scheduled four mutual evaluations (Labuan Offshore Financial Center, Samoa, Taiwan and Macau) to be conducted during 2001. A mutual evaluation training project, funded by the U.S. Government, will also be conducted in early 2001 to increase the skills needed in the region to conduct mutual evaluations.

Because of the particular vulnerability of offshore financial centers to misuse by money launderers, the APG Secretariat has devoted extensive time and effort in the Pacific region in the last 12 months. With extensive assistance from the United States, New Zealand, Australia and the Pacific Islands Forum Secretariat, a project to establish a regional Financial Intelligence Unit was launched. On March 13-28, 2000, a multinational assessment team visited the jurisdictions that expressed support for this initiative, mainly Fiji, Cook Islands, Vanuatu and Samoa. The first task in the project will be to assist Pacific jurisdictions to establish domestic FIUs. The second task will be a project assessment of the regional financial intelligence unit. The outcome of this work has been an agreement that South Pacific jurisdictions will establish domestic FIUs. Cook Islands, Vanuatu and Samoa have already done so. Fiji and several other jurisdictions are in the process of doing so.

The APG has adopted a detailed technical assistance and training strategy to provide necessary assistance to its members covering the legal, financial and law enforcement sectors. The APG has entered a number of joint arrangements with other organizations in this regard. However there is a greater demand than current resources can meet. As a consequence, the APG is asking for assistance from the FATF and from other bodies to provide funding and expertise in order to effectively execute the technical assistance and training strategy. Throughout 2000, the APG Secretariat has either directly

provided or arranged for the provision of assistance and training to many countries in the region, including Thailand, Malaysia, Samoa, Pakistan, Indonesia, Fiji, the Philippines, Vanuatu and Sri Lanka.

Caribbean Financial Action Task Force

The Caribbean Financial Action Task Force (CFATF), a FATF-style regional body comprised of 25 jurisdictions⁽¹⁾, continues to advance its anti-money laundering initiatives within the Caribbean basin. In October 2000, Aruba assumed the Chairmanship of the CFATF, succeeding the British Virgin Islands. The Dominican Republic assumed the Deputy Chair.

(1) CFATF members include Anguilla, Antigua and Barbuda, Aruba, Commonwealth of the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Costa Rica, Dominica, the Dominican Republic, Grenada, Jamaica, Montserrat, the Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Turks and Caicos Islands, Trinidad and Tobago, and Venezuela.

Members of the CFATF subscribe to a Memorandum of Understanding (MOU) that delineates the CFATF's mission, objectives, and membership requirements. All members are required to make a political commitment to adhere to and implement the 40 Recommendations of the FATF, as well as the CFATF's additional 19 Recommendations, and to undergo peer review in the form of mutual evaluations to assess their level of implementation of the Recommendations. Members are also required to contribute to the CFATF budget and to participate in the activities of the body.

In addition to members, the CFATF MOU also provides for other categories of participation in the organization. In October 2000, Mexico was welcomed as the newest Cooperating and Supporting Nation (COSUN) of the CFATF (joining Canada, France, the Netherlands, Spain, the United Kingdom and the United States), bringing the number of COSUNs to seven. COSUNs are expected to provide support to the CFATF. Haiti was admitted to the CFATF as an observer member and the World Customs Organization was welcomed as an observer organization.

The CFATF completed its first round of mutual evaluation on-site visits during the year 2000. All CFATF members, except Nicaragua, have undergone mutual evaluation visits. Five mutual evaluation reports were adopted by the CFATF Council during 2000—Dominica, Grenada, Montserrat, St. Kitts and Nevis, and Venezuela. Mutual evaluation reports on Anguilla, Belize, and Suriname are expected to be discussed, finalized, and adopted during 2001, at which point the first round of evaluations will be complete. In May 2001, the CFATF plans to conduct a mutual evaluation training seminar in preparation for its second round of evaluations, which will be based on the revised 1996 40 Recommendations, and will also incorporate the FATF's 25 criteria for Non-Cooperative Countries or Territories. These second round evaluations are scheduled to commence in July 2001.

All member contributions have been paid with the exception of arrears owed by Nicaragua. Due to Nicaragua's lack of participation in the CFATF and non-payment of its arrears, a decision was taken by the CFATF Council to suspend Nicaragua's membership in the CFATF in March 2001, if Nicaragua does not address these outstanding issues.

In October 2000, the CFATF conducted the first part of a two-part typologies exercise on free trade zones and money laundering. Part two of the exercise will be conducted in March 2001 and a report with recommendations to address the money laundering vulnerabilities of free trade zones will be issued. In December 2000, the CFATF held a conference on the international financial services sector, attended by both public and private sector participants. The conference was designed to educate participants on money laundering vulnerabilities of the international financial services sector, as well as measures that can be taken to reduce money laundering risks in the sector.

Council of Europe

The Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV)⁽¹⁾ has achieved significant progress since its creation in 1997. Its first round of mutual evaluation on-site visits has been completed, and all but two of the mutual evaluation reports have been finalized and adopted. The final two reports (on Georgia and Albania) will be discussed by the PC-R-EV plenary at its next meeting to be held in June 2001.

(1) PC-R-EV members include Albania, Andorra, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Moldova, Poland, Romania, the Russian Federation, San Marino, Slovakia, Slovenia, and Ukraine.

Two PC-R-EV plenary meetings were conducted during 2000. At the February 2000 meeting, mutual evaluation reports on Liechtenstein, Poland and Romania were adopted and a typologies exercise focusing on organized crime and money laundering was conducted. At the PC-R-EV's June meeting, mutual evaluation reports on Bulgaria, Croatia, Estonia and the Former Yugoslav Republic of Macedonia were adopted.

A mutual evaluation training seminar for examiners was conducted in Lisbon, Portugal in November 2000, in preparation for the PC-R-EV's second round of evaluations, planned to commence June 2001. The seminar focused on the experiences of the first round of evaluations and priorities for the second round.

At the plenary meeting of the PC-R-EV held January 15-19, 2001, mutual evaluation reports on Latvia, the Russian Federation, San Marino, and Ukraine were adopted. The plenary also agreed that the FATF's 25 criteria to identify non-cooperative countries and territories would be considered in assessing members' anti-money laundering regimes during the PC-R-EV's second round of mutual evaluations.

European Union

The European Union (EU) is currently proposing revisions to its anti-money laundering Directive (Council Directive 91/308/EEC of 10 June 1991). The Directive covers issues on the prevention of the use of the financial system for the purpose of money laundering. The EU is considering imposing anti-money laundering obligations on "gatekeepers." The modifications under consideration would require a broad range of professionals (including independent legal professionals, accountants, auditors, and notaries) to abide by anti-money laundering rules. The rules would apply when professionals assist in the planning or execution of certain transactions or act on behalf of their clients in the conduct of certain financial or commercial activities. If this amendment is endorsed by the European Parliament, the 15 member states of the EU will be required to bring their domestic laws into conformity with the new provisions of the Directive.

The following is a draft text currently being considered:

Member states shall ensure that the obligations laid down in this Directive are imposed on the following institutions: . . .

1. notaries and other independent legal professionals, when they participate, whether:

(a) by assisting in the planning or execution of transactions for their client concerning the

(i) buying and selling of real property or business entities;

(ii) managing of client money, securities or other assets;

(iii) opening or management of bank, savings or securities accounts;

(iv) organization of contributions necessary for the creation, operation or management of companies

(b) or by acting on behalf of and for their client in any financial or real estate transaction

Financial Action Task Force Against Money Laundering in South America

The Memorandum of Understanding establishing the South American Financial Action Task Force, (Grupo de Acción Financiera de Sudamerica Contra el Lavado de Activos-GAFISUD) was signed on December 8, 2000 by nine member states, Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Peru, Paraguay, and Uruguay. In addition, the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD) is a special member of GAFISUD.

In addition, the Inter-American Development Bank, Canada, Portugal, Spain and the United States all attended the first meeting of GAFISUD. At this meeting Spain applied for and was granted official observer status with the organization, and the other attendees are considering joining as observers as well.

Colombia was elected to be the first President of the organization for a one-year term. In addition Colombia will serve as the provisional Executive Secretariat until the next meeting of GAFISUD, which is scheduled to be held in May 2001 in Uruguay.

GAFISUD is a FATF-style regional body committed to the adoption and implementation of the FATF's 40 Recommendations, a program of self assessment and mutual evaluations of its members.

OAS/CICAD

During 2000, the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) carried out three major initiatives related to combating money laundering:

- Initiating a peer review process including indicators of progress in implementation of "members" anti-money laundering programs;
- Provided training to several member states in various aspects of anti-money laundering that will best assist states in implementation of the Buenos Aires Communiqué; and
- Participating in the development of the South American Financial Action Task Force on Money Laundering (FAFISUD).

Work on the peer review process concerning antidrug policies and activities of member states including related activities such as money laundering control under the Multilateral Evaluation Mechanism (MEM) continued on schedule throughout the year. The first round of evaluations of all 34 OAS/CICAD member countries began in the first half of 2000 and concluded in December 2000. The results will be presented to the Summit of the Americas meeting scheduled to take place in Quebec City, Canada in May 2001. Additionally, the Group of Experts to Control Money Laundering proposed that CICAD use the information derived from the Multilateral Evaluation Mechanism to evaluate the money laundering situation in the Hemisphere. It was also proposed that they develop policies in order to take into account recent developments not anticipated in the Plan of Action of Buenos Aires.

Many anti-money laundering training activities have been carried out during 2000, including, the culmination of the CICAD-Inter American Development Bank (IDB) Pilot Project to train officials of banking regulatory organizations and financial entities. This Project was carried out in Argentina, Bolivia, Chile, Colombia, Ecuador, Peru and Uruguay between April and December 2000. The follow-up stage of this program has begun in these countries by means of a web page created by CICAD for providing updated information and for consultation purposes. Additionally, training courses for judges, prosecutors and officials of the Financial Intelligence Units were designed during the year, and the IDB has committed funds to support courses for judges and prosecutors.

As a result of an agreement between the National Drug Plan of Spain and CICAD, a course on the control and investigation of money laundering has begun. This one-week course will be given every six months. It is divided into four modules, the first of which was carried out in Antigua and Barbuda and Guatemala from May 29 to June 2. The second module of the course was held in Cartagena, Colombia in November 10-17 and addressed the control and investigation of money laundering.

With respect to the Regional Centre for Legal Cooperation and Development in Central America, two courses on the prevention of money laundering were carried out in August and October in Panama and Honduras, respectively. A round-table session of judges, prosecutors and legislators will be held in Costa Rica in the first quarter of 2000 to endeavor to reach agreements on how to develop laws in areas where legal deficiencies have impeded better money laundering controls.

Finally, in regard to course participation, representatives of CICAD gave presentations at the "First Latin American Conference in Money Laundering" organized by Alert Global Media, which took place in Buenos Aires in October. Representatives also participated at a Regional Seminar held in Lima, Peru in November for the Andean countries organized by the United Nations Office of Drug Control Programs and the French Police Force.

The United Nations

UN Convention Against Transnational Organized Crime

The UN Convention against Transnational Organized Crime (Convention), signed by 125 countries including the United States at a high-level signing conference December 12-14 in Palermo, Italy, is the first legally binding multilateral treaty specifically targeting transnational organized crime. Two supplemental Protocols addressing trafficking in persons and migrant smuggling were also signed in Palermo. Each instrument requires 40 states to become parties before it can enter into force.

The Convention takes aim at preventing and combating transnational organized crime through a common toolkit of criminal law techniques and international cooperation. It requires states parties to

have laws criminalizing the most prevalent types of criminal conduct associated with organized crime groups, including money laundering, obstruction of justice, corruption of public officials and conspiracy. The article on money laundering requires parties to institute a comprehensive domestic regulatory and supervisory regime for banks and financial institutions to deter and detect money laundering. The regime will have to emphasize requirements for customer identification, record keeping and reporting of suspicious transactions.

United Nations Global Programme against Money Laundering (GPML)

The United Nations Office for Drug Control and Crime Prevention (UNODCCP), through its Global Program Against Money Laundering (GPML), serves a unique function as the only global international organization providing comprehensive anti-money laundering training and technical assistance. Its programs extend to legislators, law enforcement officials, prosecutors and judges, regulators, bankers and providers of other financial services. GPML's mission is to use this capacity to provide practical, results-oriented assistance, in close cooperation with its other international partners, that will help countries and jurisdictions achieve compliance with the full range of international anti-money laundering standards.

Key to achieving this objective in 2000 was the GPML Forum (formerly the UN Offshore Forum), which was launched at a Plenary meeting in the Cayman Islands on March 30-31. The Forum brought together 35 offshore jurisdictions, hoping to secure their commitment to the international standards and norms that have emerged in the last decade from the United Nations, FATF, the OECD, the Basel Committee, IOSCO and others. Some 33 OFCs, subsequently lodged letters of political commitment with the United Nations to adhere to international standards and norms. These requests for assistance will help determine the direction of GPML's technical assistance priorities for some time to come and will result in greater demands on the GPML's and the United Nations' technical assistance capacities and its fiscal resources.

GPML's cooperation with the Government of Israel in 1999 and 2000 is now serving as one of the models for its future technical assistance efforts. Israel passed anti-money laundering legislation on August 2, 2000 after working closely with the United Nations for over a year on the drafting, and on the development of other anti-money laundering institutions. GPML's own lawyers cooperated with their Israeli counterparts on drafting the laws, offering the UN model legislation as a foundation but working towards provisions appropriate to the individual requirements of Israel's legal system. GPML also brought in experts to advise on structuring a financial intelligence unit that would function well with Israel's existing institutions, and organized seminars in the Knesset and with the private sector to inform legislators and business people about what the new mechanisms would demand of them.

Many other jurisdictions have also turned to the United Nations, either individually or as part of a sub-regional grouping. They include the Bahamas, Dominica, Liechtenstein, Panama, St. Kitts and Nevis and St. Vincent and Grenadines. In light of this, GPML is planning to expand its highly successful mentoring program, which offers longer term on-site assistance to countries. In 2000, GPML placed mentors in Barbados and Jamaica, using expertise provided by AUSTRAC, the Australian FIU, and in Antigua and Barbuda.

GPML plans to continue its focus on assistance aimed at developing successful financial intelligence units (FIUs) and, in particular, on the development of regional FIUs, where appropriate. Considerable preparatory work on the Eastern Caribbean regional FIU was already underway in 2000, in partnership with the Organization of Eastern Caribbean States (OECS) and the Caribbean Development Bank (CDB). GPML also supported regional approaches to anti-money laundering by coordinating sub-regional workshops for the Gulf States and the Andean sub-region.

Convention for the Suppression of the Financing of Terrorism

On December 9, 1999, the United Nations General Assembly adopted the International Convention for the Suppression of the Financing of Terrorism. It was opened for signature from January 10, 2000 to December 31, 2001. This Convention requires parties to criminalize the provision or collection of funds with the intent that they be used, or in the knowledge that they are to be used, to conduct certain terrorist activity. Article 18 of the Convention requires states parties to cooperate in the prevention of terrorist financing by adapting their domestic legislation, if necessary, to prevent and counter preparations in their respective territories for the commission of offenses specified in Article 2. To that end, Article 18 encourages implementation of numerous measures also included among the FATF's 40 Recommendations. These measures, which states parties may implement at their discretion, include: prohibiting accounts held by or benefiting people unidentified or unidentifiable; verifying the identity of the real parties to transactions; and requiring financial institutions to verify the existence

and the structure of the customer by obtaining proof of incorporation.

The Convention also encourages states parties to obligate financial institutions to report complex or large transactions and unusual patterns of transactions which have no apparent economic or lawful purpose, without incurring criminal or civil liability for good faith reporting; to require financial institutions to maintain records for five years; to supervise (for example, through licensing) money-transmission agencies; and to monitor the physical cross-border transportation of cash and bearer negotiable instruments. Finally, the Convention addresses information exchange, including through the International Criminal Police Organization (Interpol). As of January 29, 2001, 37 states had signed the Convention, including the United States. It will enter into force on the thirtieth day after 22 states have become parties.

Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision⁽¹⁾, part of the Bank for International Settlements, issued in January 2001, a consultative paper on customer due diligence for banks. The paper is part of an ongoing effort by the Basel Committee to strengthen risk management procedures in banks throughout the world. In developing the consultative paper, the Basel Committee determined that many countries around the world have not developed basic supervisory practices with regard to money laundering and other financial crimes and look to the Basel Committee for guidance in these areas. The consultative paper, once adopted by national supervisors, will provide the framework for national supervisory standards with regard to customer due diligence. The consultative paper sets forth guidance for national banking supervisors to establish minimum standards and internal controls to ensure that banks know with whom they are doing business. The essential elements for customer due diligence, as set forth in the paper, include customer acceptance policies, customer identification, monitoring of high-risk accounts and risk management.

(1) The Basel Committee on Banking Supervision is a Committee of banking supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of banking supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, Netherlands, Sweden, Switzerland, United Kingdom and the United States.

Financial Intelligence Units and the Egmont Group

The fight against money laundering has been an essential part of the overall struggle to combat illegal narcotics trafficking and the activities of organized crime. The measures governments have developed to counter money laundering can also help stem corruption, terrorist financing, and other serious crime. Banks and other financial institutions are an important source for information about money laundering and other financial crimes.

In the 1990s, governments around the world began to work together to mitigate the corrosive dangers that unchecked financial crimes posed to their economic and political systems. To address this threat, many governments created specialized agencies to deal with the problem of money laundering. In the beginning, there was no unifying concept of what functions these agencies should perform, and it was almost by accident that they had in common the function of receiving and processing financial disclosures. At about this time, the heads of these organizations began to become visible on national delegations at various international meetings and conferences. Through these informal contacts, they shared common experiences and determined that it might be useful to meet and discuss these commonalities. These first contacts led to a meeting on June 9, 1995 at the Egmont-Arenberg Palace in Brussels, Belgium to discuss financial intelligence units or FIUs. Chaired jointly by FinCEN and the Cellule de Traitement des Informations Financieres (CTIF) of Belgium, the meeting in Brussels enabled participants to become acquainted with the already existing FIUs (14 nations) and to open communication channels. Now known as the Egmont Group, these FIUs meet yearly to find ways to cooperate, especially in the areas of information exchange, training, and the sharing of expertise.

During the Egmont Plenary in November 1996, in Rome, the Egmont Group came to an agreement on the definition of an FIU. Financial Intelligence Units are centralized agencies that, at a minimum, receive, analyze, and disclose to competent authorities information provided by financial institutions (and other mandated entities) concerning possible money laundering and other financial crimes. FIUs offer law enforcement agencies around the world an important new avenue for information collection and exchange.

The Egmont Group as a whole meets once a year, and working groups (Legal, Training/Communications, and Outreach) meet three times a year to discuss issues related to money

laundering and to conduct business. These working groups consist of a Chair, Vice-Chair and other working representatives from FIU members who serve on a voluntary basis.

The Legal Working Group has focused its efforts on issues related to information exchange between FIUs.

The Training/Communications Working Group looks at ways to communicate more effectively, identifies training opportunities for FIU personnel and examines new software applications that might facilitate the analytical work of these personnel. Other significant programs developed by this working group are the FIU personnel exchange programs and the topical/regional workshops hosted by various FIUs. Exchanges and workshops between FIUs have occurred all over the globe with good results. Another major initiative of the Training/Communications Working Group was the co-hosting of an FIU training seminar for analysts in January 2001. All FIUs, as well as countries working toward creating FIUs, were invited to participate in this first major Egmont training opportunity in which over 120 analysts participated.

It is also via this working group that changes and enhancements are identified for the Egmont Secure Web. It has long been recognized that feedback to the various financial institutions and other entities required to report suspicious or unusual transactions was lacking. In order to attempt to provide a document to show the utility in reporting suspicious/unusual transactions, the Training/Communications Working Group undertook a major project in 2000 to compile a booklet of successful money laundering cases from around the world. It is expected that the booklet will be available to all FIUs in early 2001.

The Outreach Working Group works to create a global network of FIUs to facilitate international cooperation. The Outreach Working Group has identified countries that the Egmont Group should approach to offer to assist in the development of FIUs. These have been categorized into short, medium and long-term FIU development projects for the Outreach Working Group.

The Egmont Group has no secretariat. Administrative functions are shared by FIUs on a rotating basis. Currently, the Dutch MOT has assumed this function.

There are currently 53 operational FIU units worldwide, with many others in various stages of development. FIUs operate in: Aruba, Australia, Austria, Belgium, Bermuda, Bolivia, Brazil, British Virgin Islands, Bulgaria, Chile, **Colombia**, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, **Dominican Republic**, **Estonia**, Finland, France, Greece, Guernsey, Hong Kong, Hungary, Iceland, Ireland, Isle of Man, Italy, **Japan**, Jersey, Latvia, Lithuania, Luxembourg, Mexico, Monaco, Netherlands, Netherlands Antilles, New Zealand, Norway, Panama, Paraguay, Portugal, **Romania**, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan, Turkey, United Kingdom, United States and Venezuela.

During the plenary meeting in May 2000, five new jurisdictions (bolded above) joined the Egmont roster. One of the main goals of the Egmont Group is to create a global network of FIUs to facilitate international cooperation. Although FIUs operate differently, FIUs exchange information with their counterparts under certain specific conditions. This information could be suspicious or unusual transaction reports from the financial sector as well as government administrative data and public record information. Many FIUs can be of assistance in providing financial intelligence rapidly to other FIUs. One of the most significant accomplishments of the group's efforts has been the creation of a secure Internet web site. Egmont's International Secure Web System (ESW)-developed primarily by FinCEN-permits members of the group to communicate with one another via secure e-mail, posting and assessing information regarding trends, analytical tools, and technological developments. In other words, this system provides the ability to facilitate practical, rapid exchanges of information that could enhance the efforts of the fight against money laundering. FinCEN, on behalf of the Egmont Group, maintains the Egmont Secure Web. Currently, there are 34 FIUs connected to the ESW.

The ongoing development and establishment of FIUs exemplify how countries around the world continue to intensify their efforts to focus on research, analysis and information exchange in order to combat money laundering and other financial crimes.

Money Laundering Comparative Table

Each year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in more than 175 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions that involve proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each

jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2000 INCSR assigned priorities to jurisdictions using a classification system consisting of three differential categories titled Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

INCSR priorities draw upon a number of factors which include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crime; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any; (3) the nature and extent of the money laundering situation in each jurisdiction (for example, whether it involves drugs or other contraband); (4) the ways in which the U.S. regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and U.S. government agencies. There are approximately two dozen sub-factors that are also considered. These sub-factors (Category Criteria) are explained below.

A government (e.g., the U.S. or the UK) can have comprehensive laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions, the volume of money laundering is likely to be substantial, necessitating quick, continuous and effective anti-money laundering efforts by the government. "Primary Concern" jurisdictions will therefore likely receive priority attention from the United States. While the threat from jurisdictions classified "Concern" is not as acute, they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the "Other" category do not pose an immediate concern, it will nevertheless be important to monitor their money laundering situations because, under the right circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Category Criteria

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system; but a checklist of what drug money managers reportedly look for provides a basic guide. The checklist includes:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and non-bank financial institutions.
- Lack of or inadequate "know your client" requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system; lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established non-bank financial systems, especially where regulation, supervision, and

monitoring are absent or lax.

- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, especially where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing and disseminating to the competent authorities information on large value, suspicious or unusual financial transactions that might identify possible money laundering activity.
- Lack of or weak bank regulatory controls, or failure to adopt or adhere to the Basle Principles for International Banking Supervision, especially in jurisdictions where the monetary or bank supervisory authority is understaffed, underskilled or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering and financial crime enforcement and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai and Mumbai.
- Jurisdictions where there is significant trade in or export of gems, particularly diamonds.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities, 2000–2001

Upgrades	Downgrades	Additions
Greece ♦ Concern—Primary	Comoros ♦ Other—Removed	Angola
Grenada ♦ Concern—Primary	Iceland ♦ Other—Removed	Benin
Monaco ♦ Other—Concern	Lesotho ♦ Other—Removed	Eritrea
Nicaragua ♦ Other—Concern	Netherlands Antilles ♦ Primary —Concern	Madagascar

Palau ♦ Other—Concern	Syria ♦ Other—Removed	Malawi
Philippines ♦ Concern— Primary	–	Mali
St. Kitts & Nevis ♦ Concern— Primary	–	Micronesia FS
St. Vincent ♦ Concern— Primary	–	Niger
–	–	Papua New Guinea
–	–	Solomon Islands
–	–	Togo
–	–	Yemen

Comparative Chart

The comparative chart that follows the Glossary of Terms below identifies the broad range of actions that jurisdictions have, or have not, taken to combat money laundering, that were effective as of December 31, 2000. This reference chart provides a comparison of elements that define legislative activity and identify other characteristics that can have a relationship to money laundering vulnerability. Where there is no (or only fragmentary) information regarding specific categories, the corresponding cells on the chart have been left blank.

Glossary of Terms

1. "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to drug trafficking.
2. "Criminalized Beyond Drugs": The jurisdiction has extended anti-money laundering statutes and regulations to include non-drug-related money laundering.
3. "Record Large Transactions": By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.
4. "Maintain Records Over Time": By law or regulation, banks are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
5. "Report Suspicious Transactions": An "M" (for "mandatory") indicates that by law or regulation, banks are required to record and report suspicious or unusual transactions to designated authorities. A "P" indicates that by law or regulation, banks are permitted to record and report suspicious transactions. An effective know-your-customer policy is considered a prerequisite in this category.
6. "Financial Intelligence Unit": The jurisdiction has established a central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money laundering. These reflect those jurisdictions that are members of the Egmont Group.
7. "System for Identifying and Forfeiting Assets": The jurisdiction has enacted laws authorizing the tracing,

freezing, seizure and forfeiture of assets identified as relating to or generated by money laundering activities.

8. "Arrangements for Asset Sharing": By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions which assisted in the conduct of the underlying investigation.
9. "Cooperates w/Domestic Law Enforcement": By law or regulation, banks are required to cooperate with authorized law enforcement investigations into money laundering or the predicate offense, including production of bank records, or otherwise lifting the veil of bank secrecy.
10. "Cooperates w/International Law Enforcement": By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.
11. "International Transportation of Currency": By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary instruments crossing its borders. Of critical weight here are the presence or absence of wire transfer regulations and use of reports completed by each person transiting the jurisdiction and reports of monetary instrument transmitters.
12. "Mutual Legal Assistance": By law or through treaty, the jurisdiction has agreed to provide and receive mutual legal assistance, including the sharing of records and data.
13. "Non-Bank Financial Institutions": By law or regulation, the jurisdiction requires non-bank financial institutions to meet the same customer identification standards and adhere to the same reporting requirements that it imposes on banks.
14. "Disclosure Protection Safe Harbor": By law, the jurisdiction provides a "safe harbor" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
15. "Offshore Financial Centers": By law or regulation, the jurisdiction authorizes the licensing of offshore banking and business facilities.
16. "States Parties to 1988 UN Drug Convention": As of December 31, 2000, a 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.

Annex to the Offshore Financial Centers Section

FATF Criteria for Defining Non-Cooperative Countries or Territories

A. Loopholes in financial regulations

(i) No or inadequate regulations and supervision of financial institutions

1. Are there effective regulations and supervision, if any, for all financial institutions in a given country or territory, onshore or offshore, on an equivalent basis with respect to international standards applicable to money laundering?

(ii) Inadequate licensing and rules for the creation of financial institutions, including assessing the backgrounds of their managers and beneficial owner

2. Is it possible for individuals or legal entities to operate a financial institution without authorization or registration or with very rudimentary requirements for authorization or registration?

3. Are there measures to guard against holding of management functions and control or acquisition of a significant investment in financial institutions by criminals or their confederates?

(iii) Inadequate customer identification requirements for financial institutions

4. Do anonymous accounts or accounts in obviously fictitious names exist?

5. Are there effective laws, regulations, agreements between supervisory authorities

and financial institutions or self-regulatory agreements among financial institutions on identification by the financial institution of the client and beneficial owner of an account?

- Is it mandatory to verify the identity of the client?
- Is it a requirement to identify the beneficial owners where there are doubts as to whether the client is acting on his own behalf?
- Is there an obligation to renew identification of the client or the beneficial owner when doubts appear as to their identity in the course of business relationships?
- Are financial institutions required to develop ongoing anti-money laundering training programs?

6. Is there a legal or regulatory obligation for financial institutions or agreements between supervisory authorities and financial institutions or self-agreements among financial institutions to record and keep, for a reasonable and sufficient time (five years), documents connected with the identity of their clients, as well as records on national and international transactions?

7. Are there legal or practical obstacles to access by administrative and judicial authorities to information with respect to the identity of the holders or beneficial owners and information connected with the transactions recorded?

(iv) Excessive secrecy provisions regarding financial institutions

8. Can secrecy provisions be invoked against, but not lifted by competent administrative authorities in the context of inquiries concerning money laundering?

9. Can secrecy provisions be invoked against, but not lifted by judicial authorities in criminal investigations related to money laundering?

(v) Lack of efficient suspicious transactions reporting system

10. Is there an efficient mandatory system for reporting suspicious or unusual transactions to a competent authority, provided that such a system aims to detect and prosecute money laundering?

11. Are there monitoring and criminal or administrative sanctions in respect to the obligation to report suspicious or unusual transactions?

B. Obstacles raised by other regulatory requirements

(i) Inadequate commercial law requirements for registration of business and legal entities

12. Are there adequate means for identifying, recording and making available relevant information related to legal and business entities (name, legal form, address, identity of directors, provisions regulating the power to bind the entity)?

(ii) Lack of identification of the beneficial owner(s) of legal and business entities

13. Are there obstacles to identification by financial institutions of the beneficial owner(s) and directors/officers of a company or beneficiaries of legal or business entities?

14. Are there regulatory or other systems which allow financial institutions to carry out financial business where the beneficial owner(s) of transactions is unknown, or is represented by an intermediary who refuses to divulge that information, without informing the competent authorities?

C. Obstacles to international co-operation

(i) Obstacles to international co-operation by administrative authorities

15. Do laws or regulations prohibit international exchange of information between administrative anti-money laundering authorities or do not grant clear gateways or subjecting exchange of information to unduly restrictive conditions?

16. Are relevant administrative authorities prohibited from conducting investigations or inquiries on behalf of or for account of their foreign counterparts?

17. Has obvious unwillingness to respond constructively to requests (e.g. failure to take the appropriate measures in due course, long delays in responding) been observed?

18. Are there restrictive practices in international co-operation against money laundering between supervisory authorities or between FIUs for the analysis and investigation of suspicious transactions, especially on the grounds that such transactions may relate to tax matters? (ii) Obstacles to international co-operation by judicial authorities

19. Is the laundering of the proceeds from serious crimes being criminalized?

20. Do laws or regulations prohibit international exchange of information between judicial authorities (notably specific reservations to the anti-money laundering provisions of international agreements) or place highly restrictive conditions on the exchange of information?

21. Has obvious unwillingness to respond constructively to mutual legal assistance requests (e.g. failure to take the appropriate measures in due course, long delays in responding) been observed?

22. Does the jurisdiction refuse to provide judicial co-operation in cases involving offences recognized as such by the requested jurisdiction especially on the grounds that tax matters are involved?

D. Inadequate resources for preventing and detecting money laundering activities

(i) Lack of resources in public and private sectors

23. Are the administrative and judicial authorities provided with the necessary financial, human or technical resources to exercise their functions or to conduct their investigations?

24. Is there inadequate or corrupt professional staff in governmental, judicial or supervisory authorities or among those responsible for anti-money laundering compliance in the financial services industry?

(ii) Absence of a financial intelligence unit or of an equivalent mechanism

25. Is there a centralized unit (i.e., a financial intelligence unit) or of an equivalent mechanism for the collection, analysis and dissemination of suspicious transactions information to competent authorities?

Country/Jurisdictions Table(1)

Countries/Jurisdictions of Primary Concern	Countries/Jurisdictions of Concern	Other Countries/Jurisdictions Monitored
Antigua and Barbuda Russia	Albania Romania	Afghanistan Maldives
Australia Singapore	Argentina Samoa	Algeria Mali
Austria Spain	Aruba Seychelles	Angola Malta

Bahamas	St. Kitts & Nevis	Bahrain	Slovakia	Anguilla	Mauritius
Brazil	St. Vincent	Barbados	South Africa	Armenia	Micronesia FS
Burma	Switzerland	Belgium	St. Lucia	Azerbaijan	Moldova
Canada	Taiwan	Belize	Turks & Caicos	Bangladesh	Mongolia
Cayman Islands	Thailand	Bolivia	Ukraine	Belarus	Montserrat
China, People Rep	Turkey	British Virgin Islands	Vanuatu	Benin	Morocco
Colombia	United Arab Emirates	Bulgaria	Vietnam	Bermuda	Mozambique
Cyprus	United Kingdom	Cambodia	Yugoslavia FR	Bosnia & Herzegovina	Namibia
Dominica	USA	Chile		Botswana	Nepal
Dominican Rep	Uruguay	Cook Islands		Brunei	New Zealand
France	Venezuela	Costa Rica		Cameroon	Niger
Germany		Czech Rep		Cote D'Ivoire	Norway
Greece		Ecuador		Croatia	Oman
Grenada		Egypt		Cuba	Papua New Guinea
Guemsey		El Salvador		Denmark	Qatar
Hong Kong		Gibraltar		Eritrea	Saudi Arabia
Hungary		Guatemala		Estonia	Senegal

India	Haiti	Ethiopia	Slovenia
Indonesia	Honduras	Fiji	Soloman Islands
Isle of Man	Ireland	Finland	Sri Lanka
Israel	Jamaica	Georgia	Suriname
Italy	Korea, Republic of"	Ghana	Swaziland
Japan	Korea (DPRK)	Guyana	Sweden
Jersey	Latvia	Iran	Tajikistan
Lebanon	Macau	Jordan	Tanzania
Liechtenstein	Malaysia	Kazakhstan	Togo
Luxembourg	Marshall Islands	Kenya	Tonga
Mexico	Monaco	Kuwait	Trinidad and Tobago
Nauru	Netherlands Antilles	Kyrgyzstan	Tunisia
Netherlands	Nicaragua	Laos	Turkmenistan
Nigeria	Niue	Liberia	Uganda
Pakistan	Palau	Lithuania	Uzbekistan
Panama	Peru	Macedonia	Yemen
Paraguay	Poland	Madagascar	Zambia

(1) See the (previous) section entitled **Money Laundering Comparative Table** for an explanation of these categories.

Comparative Chart

Country Reports

Afghanistan (Other). Afghanistan has no formal credit institutions, and its financial institutions are rudimentary. Afghanistan is not considered a center for money laundering. However, Afghanistan does play a key role in the heroin trade. The proceeds of heroin trafficking generally are laundered in other countries, or through the hawala alternative remittance system. Reports indicate that the Taliban and other factions in Afghanistan are involved in narcotics trafficking. The private investment of drug profits reportedly has fueled a surge in construction and commercial activity in Kandahar City in recent years.

Afghanistan is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Albania (Concern). Albania is at significant risk to money laundering because it is a transit country for trafficking in narcotics, arms, contraband, and illegal aliens. Organized crime groups use Albania as a base of operations for conducting criminal activities in other countries. The proceeds from these activities are easily laundered in Albania because of official corruption and weak government controls.

Albania criminalized all forms of money laundering through Article 287 of the Albanian Criminal Code of 1995. In 2000, the International Monetary Fund (IMF) assisted Albania in drafting anti-money laundering legislation that was subsequently approved by Albania's legislature. The law reportedly would establish an agency to coordinate the Government of Albania's (GOA) efforts to detect and prevent money laundering. This agency will fall under the control of the Ministry of Finance and will evaluate reports filed by financial institutions. If the agency suspects that a transaction involves the proceeds of criminal activity, it must forward the information to the prosecutor's office.

The legislation would also require financial institutions to report to the anti-money laundering agency all transactions that exceed approximately US \$10,000. Financial institutions would be required to report transactions within 48 hours if the origin of the money cannot be determined. In addition, private and state entities would be required to report all financial transactions that exceed certain thresholds.

In December 2000, Albania signed the UN Convention against Transnational Organized Crime. Albania is a member of the Council of Europe (COE) Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV).

The GOA should enact and fully implement the provisions of its anti-money laundering legislation. In particular, the GOA should provide adequate resources and support to the new anti-money laundering agency.

Algeria (Other). Algeria is not a financial center, and currently there is no available information suggesting that money laundering is a significant problem there. However, the Algerian government has not enacted anti-money laundering legislation nor does it have in place any procedures such as a suspicious transaction reporting system to detect money laundering. Individuals entering Algeria must declare all foreign currency, but it remains unclear how strictly this is enforced.

Algeria is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Angola (Other). Money laundering does not appear to be a significant problem in Angola because of its poorly developed financial sector. However, Angola does not have in place a set of comprehensive laws, regulations, and other procedures to detect money laundering and financial crime. Angola's counternarcotics laws criminalize money laundering related to drug trafficking.

In December 2000, Angola signed the UN Convention against Transnational Organized Crime.

Anguilla (Other). Anguilla has a small but growing offshore financial sector that renders it vulnerable to money laundering. As with the other United Kingdom Caribbean Overseas Territories, Anguilla underwent a thorough evaluation of its financial regulations in 2000, co-sponsored by the local and British governments.

Anguilla's domestic financial sector includes four domestic banks and 17 insurance companies. The Eastern Caribbean Central Bank (ECCB) supervises Anguilla's four domestic banks. The offshore sector includes two banks, one captive insurance company, and approximately 2000 international business companies (IBCs) and

43 trusts. IBCs may be registered using bearer shares that conceal the identity of the beneficial owner of these entities.

In 2000, Anguilla enacted several pieces of legislation to improve its anti-money laundering regime. The Proceeds of Criminal Conduct Act (PCCA) 2000 extends the predicate offenses for money laundering to all indictable offenses. It provides for suspicious activity reporting and a safe harbor for this reporting. The Money Laundering Reporting Authority Act (MLRA) 2000 requires persons involved in the provision of financial services to report any suspicious transactions derived from drugs or criminal conduct. It also details provisions for a Reporting Authority that will receive the suspicious transaction reports required and may forward information to the police for further investigation. The Criminal Justice (International Co-operation) (Anguilla) Act 2000 enables Anguilla to directly cooperate with other jurisdictions through mutual legal assistance.

Anguilla is subject to the US/UK MLAT and the US/UK extradition treaty. Anguilla is a member of the Caribbean Financial Action Task Force (CFATF), and through the UK, is subject to the 1988 UN Drug Convention.

Anguilla has developed important legal tools for detecting and investigating money laundering and other financial crimes. It should move quickly to implement provisions of the PCCA and the MLRA and establish a Reporting Authority that can easily cooperate with foreign authorities. Anguilla should also adopt consider measures to ensure complete identification of beneficial owners of IBCs so that international criminals do not use these entities to perpetuate financial crimes.

Antigua and Barbuda (Primary). Although Antigua and Barbuda remains vulnerable to money laundering because of its offshore financial sector and its internet gaming industry, it has made significant progress toward improving the regulation of the offshore financial sector since the US Treasury Department issued an advisory to US financial institutions in April 1999. In its advisory the Treasury Department recommended "enhanced scrutiny to all financial transactions routed into or out of Antigua and Barbuda" because of 1998 amendments that had seriously weakened Antigua and Barbuda's anti-money laundering regime. The United Kingdom (UK) also issued a bank advisory at that time and France publicly expressed its concerns.

In response to this international action, in 1999 the Government of Antigua and Barbuda (GOAB) repealed those amendments to the Money-Laundering (Prevention) Act (MLPA) of 1996 that had effectively strengthened bank secrecy, inhibited money laundering investigations and infringed on international cooperation. Additionally, in 2000 the GOAB amended the International Business Corporations Act (IBCA) of 1982 in order to excise the 1998 amendments that had given the International Financial Sector Regulatory Authority (IFSRA) responsibility to market and regulate the offshore sector, as well as to allow members of the IFSRA Board of Directors to maintain ties to the offshore industry.

In August 2000, the GOAB again amended the IBCA to require resident agents to ensure the accuracy of the records and registers that are kept at the Registrar's office, and to know the names of beneficial owners of IBC's and to disclose such information to authorities upon request. Furthermore, in December 2000 the GOAB issued a Statutory Instrument, which has the force of law, requiring banks to establish the true identities of account holders and to verify the nature of an account holder's business, source of funds and beneficiaries. The GOAB has also drafted an International Trusts Bill and a Mutual Funds Bill.

The GOAB has established and staffed the Supervisory Authority (SA) within the ONDCP as mandated by the MLPA, and has issued regulations that implement its suspicious transactions reporting system. According to an Antiguan official, by year's end Antiguan and Barbudian financial institutions had filed a total of between ten and twenty suspicious transaction reports (STRs).

During 1999 and 2000, the GOAB conducted an extensive review of the offshore banking sector. As a result, 21 offshore banks had their licenses revoked, were dissolved, were placed in receivership, or were otherwise put out of business. Currently, Antigua and Barbuda has 26 licensed offshore banks of which only 18 are currently in operation and in good standing.

Like most of the other countries in the Eastern Caribbean, GOAB does not have a unified regulatory structure or uniform supervisory practices for its financial services sector. This is due to the fact that the Eastern Caribbean Central Bank (ECCB) supervises Antigua and Barbuda's domestic banking sector, conducting both on-site and off-site reviews of the country's financial institutions. Examiners review information related to savings and demand deposits during on-site inspections. To date, the ECCB has not begun supervising offshore banks.

The IFSRA issues licenses for the offshore sector, including the issuance of licenses for offshore banks and international business corporations, of which there are approximately 12,000. The license application requires disclosure of the names and addresses of directors—who must be natural persons—the activities the corporation intends to engage in, and the names of shareholders and number of shares that they will hold. Additionally, the IFSRA is responsible for the supervision of the offshore banking sector. IFSRA is currently increasing its staff in order to effectively perform on-site and off-site examinations of licensed offshore banks. To date, IFSRA has not performed any on-site examinations.

In October 2000, a joint US and UK interagency team visited Antigua and Barbuda to review the GOAB's progress in enacting and implementing legislation that addresses the issues raised in the 1999 US and UK advisories. As a result the UK subsequently issued a statement announcing modification of its advisory which reads in part:

HM Treasury recognizes the considerable effort that the Government of Antigua and Barbuda has made since April 1999 to strengthen the system of supervision and control, with a particular view to strengthening anti-money laundering systems. Although it is too early to judge whether these new systems have been fully successful, it is clear that there has been a step-change in the culture of combating money laundering in the Government and supervisory structures. But as has been recognized by the Government of Antigua and Barbuda, there is still room for further improvement before the jurisdiction meets the highest standards of international anti-money laundering laws and practice.

While waiting for the new systems to bed down, and the final legislative changes to be made, the UK still believes that financial institutions should continue to undertake additional due diligence when accepting new business from the financial institutions in Antigua and Barbuda. In particular, UK financial institutions should be aware of concerns that there are serious risks associated with involvement in transactions linked to the offshore gaming industry.

The report of the US members of the assessment team and recommendations regarding the US advisory are pending.

During 2000, the GOAB continued its bilateral and multilateral cooperation in various criminal and civil investigations and prosecutions. The GOAB has provided substantial assistance to US law enforcement and prosecutors investigating and prosecuting fraud and money laundering cases involving Antiguan-licensed American International Bank, European Union Bank and European Federal Credit Bank. As a result of Operation Risky Business, an FBI and US Customs Service investigation in which 19 individuals were convicted for fraud and money laundering, a request for the extradition of Antiguan citizen William Cooper, who assisted in the establishment of Antiguan-licensed Caribbean American Bank, was made in 1999. The request is currently pending in the Antiguan courts. In 1999, the GOAB charged former Ukrainian Prime Minister Pavlo Lazarenko with money laundering and froze approximately \$83 million in alleged fraud proceeds that had been deposited in European Federal Credit Bank. This money was ultimately forfeited by an Antiguan court in 2000, but the court's decision has been appealed. Lazarenko is currently in US custody awaiting trial on money laundering charges filed in the Northern District of California.

Casinos and sports book-wagering operations in the Free Trade Zone are regulated and supervised by the Directorate of Offshore Gaming (DOG) and are required to incorporate under the IBCA. The DOG has issued Internet Gaming Technical Standards and guidelines; however, it is not clear whether these standards and guidelines are mandatory. Moreover, it is not clear if casinos and other gaming-related entities are subject to provisions of the IBCA or the MLPB. The GOAB is considering legislation and has drafted "Regulations for the Licencing of Interactive Gaming And Interactive Wagering in Antigua and Barbuda" to address possible money laundering through client accounts of Internet gambling operations.

Antigua and Barbuda is a party to the 1988 UN Drug Convention. Antigua and Barbuda is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the Caribbean Financial Action Task Force (CFATF). In 1999, Antigua and Barbuda became the first country in the eastern Caribbean to exchange the instruments of ratification to bring into force Mutual Legal Assistance and Extradition Treaties with the United States Government.

During the last two years, the GOAB has shown a clear commitment to the creation of a legal and regulatory anti-money laundering regime that will meet international standards. The GOAB is urged to fully implement and enforce all provisions of its anti-money laundering legislation. Moreover, the GOAB must ensure that its gambling sector is covered by anti-money laundering legislation and that it is adequately supervised.

Argentina (Concern). High-profile regional investigations have produced evidence that Mexican and Colombian drug cartels are infiltrating Argentina's banking sector, which is the sector most affected by money laundering activities. It is believed that contraband and bribery also contribute to the money laundering occurring in Argentina, and that the use of companies, shell companies, trusts, financial advisors, accountants and notaries facilitate money laundering.

New money laundering legislation, Law 25.246, was passed in May 2000. While the October 1989 law applied only to the proceeds of illicit drug trafficking activities, the new law extends the money laundering offenses to include all existing crimes in the Penal Code and makes it a crime to launder proceeds of crimes committed in other countries. The new law sets a stricter regulatory framework for banks and a wide range of other entities. Under previous central bank regulations, the requirements for record-keeping customer identification, recording of cash transactions over US \$10,000, and reporting of suspicious transactions applied only to banks, financial companies, credit unions, savings institutions, credit card issuers and money exchange

dealers. Law 25.246 expands the customer identification, record-keeping and suspicious transactions reporting to a wide range of entities including foreign exchange houses, money remitters, gambling outlets, exporters/importers of jewels and precious metals, property registration agents, stock brokers, insurance companies, art dealers, notaries, accountants, and travelers' checks companies. The law forbids these financial and commercial entities to notify their clients of the filing of suspicious financial transaction reports, and provides a safe harbor from liability for reporting the transactions.

To aid Argentina in its fight against money laundering, Law 25.246 creates a financial intelligence unit (FIU), an autonomous agency under the administration of the Ministry of Justice and Human Rights responsible for receiving, analyzing and disseminating to the Office of the Attorney General information to prevent and impede money laundering. The FIU is not yet operational.

One money laundering case is currently being prosecuted under the 1989 legislation.

Argentina is party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Argentina is an active participant in international anti-money laundering groups. Following their September 1999 admission as an observer member of the Financial Action Task Force (FATF), Argentina underwent an evaluation by the FATF in early 2000 and became a full member in June 2000. Argentina is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Argentina also played a leading role in the creation of the South American Financial Action Task Force in December 2000. Argentina and the United States have a Mutual Legal Assistance Treaty that entered into force in 1993.

The government of Argentina is encouraged to issue implementing regulations for Law 25.246, and make its FIU operational as soon as possible to enable it to participate in the Egmont Group. This will enable it to cooperate more comprehensively in domestic and international efforts to combat money laundering.

Armenia (Other). Armenia is not a major financial center, however its status as a transit country for narcotics trafficking and smuggling, combined with lax border controls, creates a favorable money-laundering environment. High unemployment, low salaries, corruption, a large underground economy, and the presence of organized crime also increase Armenia's vulnerability to money laundering. Armenian authorities are generally not cognizant of the threat of money laundering and have devoted inadequate resources to the problem. Schemes used to launder funds include the under-invoicing of imports, double bookkeeping, and misuse of the banking system.

Armenia currently has no anti-money laundering statutes. However, the new draft Armenian criminal code includes a statute that for the first time would criminalize money laundering. The Government of Armenia expects the new draft criminal code to pass its third and final reading in parliament in early 2001.

Armenia is a party to the 1988 UN Drug Convention.

Aruba (Concern). Aruba has a growing offshore industry, casinos, and free zones that make it both attractive and vulnerable to money launderers. However, the Government of Aruba (GOA) is establishing a solid anti-money laundering program. Money laundering is a crime in Aruba, and money-laundering offenses extend to all predicate criminal offenses, including tax offenses.

The GOA has developed a comprehensive anti-money laundering program, and further strengthened its legislation this year. The GOA's new anti-money laundering initiatives include four State Decrees: a State Decree listing suspicious activity indicators for casinos, which will take effect in April 2001; a State Decree on the supervision of captive insurers, and one on the supervision of insurance underwriters, both of which will be introduced in February 2001; and a State Decree, which becomes effective January 1, 2001, that will permit the Central Bank of Aruba to supervise insurance companies. The Central Bank of Aruba is in charge of implementing this Decree, which provides the legal basis for supervision of onshore or offshore insurance companies operating in Aruba.

In March 2001, a State Ordinance is expected to be issued that will extend reporting and identification requirements to casinos.

In October 2000, a State Ordinance was enacted requiring life insurance agents to report unusual transactions, based on indicators. As of January 1, 2000, the Government of Aruba began working on the principles of the law, which will be implemented during the first half of the year 2001.

On July 4, 2000, the Aruban Parliament unanimously approved the State Ordinance Free Zones Aruba, which will implement standards for the sector. Aruba is also working with its counterparts in the Caribbean Financial Action Task Force (CFATF) to develop regional standards for free zones, since none currently exist. Once developed, CFATF members have agreed to implement these standards.

In June 2000, Aruba enacted a State Ordinance making it a legal requirement to report both the importation and exportation of currency in excess of 20,000 Aruban guilders (approximately US \$11,235). The State decree

to implement the law will be introduced in the early part of 2001.

The GOA has prepared a State Ordinance for the Supervision of Trust Companies. The draft ordinance provides for the oversight of thrift companies to ensure that they follow "Know Your Customer" procedures. The draft was submitted to an advisory committee. After the committee completes its review and provides comments, the draft will be returned to the government officials responsible for the law and then submitted to parliament for approval. Aruban officials are striving to enact the Ordinance early in 2001.

All financial institutions report unusual transactions to the Meldpunt Ongebruikelijke Transacties (MOT), Aruba's financial intelligence unit. The MOT is a member of the Egmont Group. A draft law, which would authorize the MOT to share information with foreign counterpart organizations with a Memorandum of Understanding (MOU), is now with the central committee.

Aruba has a small offshore sector compared to more established offshore jurisdictions. Services include finance companies, offshore banks, investment and holding companies and the Aruba Exempt Company (AEC). There are approximately 4700 AECs that are permitted to offer bearer shares. AECs pay an annual registration fee of approximately US \$280, and must have a minimum authorized capital of US \$6,000. AECs cannot participate in the economy of Aruba, and are exempt from several obligations—they are exempt from all taxes and currency restrictions, and need not file annual financial statements. Trust companies provide a wide range of corporate management and professional services to AECs, including looking after the interests of its shareholders, stockholders, or other creditors. In May 2000, the GOA issued Guidance Notes on sound corporate governance practices.

On August 31, 2000, the United States signed a multilateral agreement, with Aruba, Colombia, Panama and Venezuela, to establish an international task force to fight the money laundering that occurs through the "Black Market Peso Exchange"(BMPE). The BMPE is believed to be the largest money laundering system in the Western Hemisphere, and the primary money laundering method used by Colombian drug cartels. The task force will develop policy options and recommend enforcement actions to detect, prevent and prosecute money laundering by the BPME. The agreement also provides for enhanced information sharing among the signatories. The first task force meeting was held in Aruba on October 21, 2000 and was chaired by the director of the Aruba Free Zone. The next meeting will take place in March 2001.

Aruba, which has autonomous control over its internal affairs, is a part of the Kingdom of the Netherlands and, as such, is a member of the Financial Action Task Force (FATF).

Aruba has signed a Mutual Legal Assistance Treaty (MLAT) with the United States. Aruban judicial authorities have maintained an excellent record of cooperation under the MLAT.

Aruba's anti-money laundering legislation largely adheres to the recommendations of FATF and the CFATF. Furthermore, Aruba's efforts this year culminated in their first money laundering prosecution for drug trafficking. The Government of Aruba has shown a commitment to combating money laundering. With continued vigilance Aruba's vulnerability to money laundering should decrease.

Australia (Primary). The Government of Australia (GOA) has in place a balanced, comprehensive system to detect, prevent, and prosecute money laundering. In 1995, a comprehensive money laundering study commissioned by the GOA estimated that each year approximately US \$2.8 billion is laundered in or through Australia, or offshore. The major sources of criminal proceeds laundered in Australia are narcotics trafficking and financial fraud.

The Government of Australia (GOA) has enacted comprehensive anti-money laundering legislation that criminalizes money laundering related to serious crimes, and mandates various forms of reporting. Moreover, the legislation provides for assistance to other governments with asset seizure and forfeiture. Three pieces of legislation form the basis of Australia's anti-money laundering regime: the Financial Transaction Reports Act (FTR) of 1988; the Mutual Assistance in Criminal Matters Act (MACMA) of 1987; and the Proceeds of Crime Act (POCA) of 1987.

The FTR was enacted in 1988 to combat tax evasion, money laundering and serious crime. The FTR requires that the following entities report suspicious transactions, cash transactions in excess of Australian \$10,000, and international funds transfers to the Australian Transaction Reports and Analysis Center (AUSTRAC), Australia's financial intelligence unit: financial institutions; insurance businesses; securities dealers; trustees; sellers of monetary instruments; bullion dealers; gaming establishments and services; persons who collect, hold, or deliver currency on behalf of others; and persons who prepare payrolls for others in whole or in part from collected currency. AUSTRAC was established under section 35 of the FTR, and was given a regulatory role vis-a-vis Australia's financial services sector. The MACMA allows Australian authorities to assist other countries in identifying, freezing, seizing, and confiscating the proceeds of crime. The POCA criminalized money laundering for all serious crimes, and contains provisions to assist investigations and prosecutions in the form of production orders, search warrants, and monitoring orders.

Australia is a member of the Financial Action Task Force (FATF), the Asia Pacific Group on Money Laundering (APG), the South Pacific Forum, and the Commonwealth Secretariat. AUSTRAC is a member of the Egmont Group. Australia continues to promote the adoption of effective anti-money laundering measures by countries in the Asia/Pacific region, through its funding and hosting of the Secretariat of the Asia/Pacific Group on Money Laundering and by raising the issue of money laundering to a priority concern at the Asia/Pacific Economic Cooperation Forum. In September 1999, a Mutual Legal Assistance Treaty between Australia and the United States entered into force. AUSTRAC and FinCEN have signed a Memorandum of Understanding for the exchange of information. AUSTRAC also has bilateral agreements allowing the exchange of information with the United Kingdom, New Zealand, Belgium, France, Hungary, and Denmark.

Australia is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Australia continues to have a comprehensive and effective anti-money laundering regime that adheres to the FATF Forty Recommendations. Australia's approach to combat money laundering and its demonstrated ability to adapt to change, serve as a model for other countries to emulate. The GOA should continue to support the APG and provide money laundering training and technical assistance for the Asia/Pacific region.

Austria (Primary). Austria is not a major financial center. Money laundering has been a criminal offense in Austria since 1993. A major risk for money laundering in Austria has been the existence of anonymous bank accounts known as Sparbuch (savings book) accounts. The Financial Action Task Force (FATF) threatened to suspend Austria's membership if Austria did not terminate these accounts by June 15, 2000.

In June 2000, the Government of Austria (GOA) approved legislation, the Banking Act Amendment, that addressed the FATF's concerns. Beginning November 2, 2000, applicants for new passbook accounts must be identified. In addition, if deposits are made to an existing passbook account, the holder must be identified—except for deposit transfers from anonymous securities accounts opened prior to August 1, 1996. After June 30, 2002, if a withdrawal is made from an existing passbook account—and the holder has not previously been identified—the holder must be identified. A June 15, 2000 press release indicates that the FATF will closely monitor Austria's implementation of these measures. The GOA in 1996 abolished anonymous securities accounts. Although new deposits are not allowed, customers can continue to make withdrawals and sales from these accounts without identification until June 2002.

In June 2000, the Ministry of Finance sent a circular to Austrian banks advising them to use special diligence in splitting passbook account balances—except among family members—exceeding one million Austrian schillings (approximately US \$68,500). Austrian banks are required to continue exercising this enhanced diligence until anonymous accounts are completely phased out in June 2002.

The GOA imposes customer identification requirements for bank transactions exceeding Austrian schillings 200,000 (approximately US \$13,700) for customers without a permanent business relationship with the bank. Bank records must be maintained for a minimum of five years after the business relationship has terminated. Banks, insurers, and foreign exchange bureaus are required to report suspicious transactions. Austria's financial intelligence unit, the Central Department for Combating Organized Crime, receives and analyzes financial disclosures, and is a member of the Egmont Group.

Austria has not enacted domestic legislation that provides for sharing narcotics-related assets with other governments. However, a Mutual Legal Assistance Treaty (MLAT) has been in force since August 1, 1998 between the GOA and the United States, which contains an asset-sharing provision. The GOA has been cooperative with US law enforcement investigations. Austria has a bilateral agreement with Hungary concerning the exchange of information related to money laundering. Austria is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Austria is a member of the FATF and the European Union.

The GOA should continue to develop a comprehensive anti-money laundering regime. By enacting legislation to eliminate anonymous passbook accounts, the GOA has taken an important step toward combating money laundering. The GOA should ensure full implementation of this new law. Continued diligence on the part of the GOA will be instrumental in helping to thwart money laundering in Austria.

Azerbaijan (Other). Azerbaijan's banking system is rudimentary; and its banking laws change frequently. Several banks have been closed as part of a government effort to consolidate the banking sector. Available information suggests that non-bank financial institutions probably are used to launder money related to tax evasion and avoidance of customs fees. The transportation of illegal source currency falls within the purview of the Organized Crime Division of the Ministry of Internal Affairs and the Ministry of National Security. However, these agencies probably are more concerned with stopping the transportation of funds used for anti-state activities such as anti-government propaganda and terrorism than funds generated from narcotics trafficking. Azerbaijan does not have anti-money laundering legislation.

Azerbaijan is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention

against Transnational Organized Crime.

Bahamas (Primary). The Commonwealth of The Bahamas is an important regional financial center; its well-developed offshore financial center, strong bank secrecy laws, weak regulation of international business companies (IBCs), and inadequate customer identification requirements have made it vulnerable to money laundering and other financial crimes. The offshore financial industry includes trust companies, 413 banks, 580 mutual funds, 30 insurance companies, and approximately 100,000 International Business Companies (IBCs).

In June 2000, the Financial Action Task Force (FATF) identified The Bahamas as "non-cooperative in the fight against money laundering." In its report, FATF stated cited the following concerns:

Although The Bahamas has comprehensive anti-money laundering legislation, there are serious deficiencies in its system. In particular, there is a lack of information about the beneficial ownership as to trusts and IBCs, which are allowed to issue bearer shares. There is also a serious breach in identification rules since certain intermediaries can invoke their professional code of conduct to avoid revealing the identity of their clients. International cooperation has been marked by long delays and restricted responses to requests for assistance and there is no room to cooperate outside of judicial channels.

In July 2000, the US Treasury Department issued an advisory to US financial institutions warning them to give enhanced scrutiny to financial transactions involving The Bahamas, particularly those transactions that do not involve established and adequately identified commercial or investment enterprises.

Under legislation in force prior to December 2000, The Government of the Commonwealth of The Bahamas (GOCB) supervisory officials had to seek a court order to obtain access to customer information held by Bahamian banks and trust companies. Moreover, the failure of Bahamian banks to obtain identifying information about customers limited their effectiveness in recognizing and avoiding money-laundering transactions. Banks were not required to verify the identity of customers whose accounts were opened by Bahamian lawyers and certain other intermediaries. It is unclear whether these entities' legal obligation to report suspicious transactions was preempted by their professional secrecy obligations.

The GCOB has taken significant steps to address the shortcomings in its anti-money laundering regime. In May 2000, the GCOB enacted legislation requiring that individuals declare currency in excess of US \$10,000 when entering or leaving the country. Moreover, in December 2000, the GCOB enacted the following legislation and regulations: Proceeds of Crime Act No. 44 of 2000, Dangerous Drugs Act 2000, Criminal Justice (International Co-Operation) Act 2000, Financial Transactions Reporting Act 2000, the Central Bank of the Bahamas Act 2000, Banks and Trust Companies Regulation Act 2000, Financial and Corporate Service Providers Act 2000, International Business Companies (IBC) Act 2000, Financial Intelligence Unit (FIU) Act 2000, Criminal Justice (International Co-operation) Regulations Act of 2000, and Financial Transactions Reporting Regulations of 2000.

The Proceeds of Crime Act 2000, which supersedes the amended Money Laundering (Proceeds of Crime) Act, also expands the number of predicate crimes for money laundering to include drug trafficking, bribery, public corruption, and other serious crimes; expands the definition of the money laundering offence by introducing the concept of "reasonable suspicion," rather than requiring actual knowledge of the nature of the proceeds; and provides immunity from civil liability for disclosure of information to the Supervisory Authority or the Attorney General. In addition, for the first time, the new Proceeds of Crime Act 2000 provides for seizure, detention and forfeiture of the proceeds of crime, including money laundering; establishes penalties for failure to disclose knowledge or suspicion of money laundering; and, authorizes enforcement of domestic and external confiscation orders.

The International Business Companies Act (IBC), 2000, ends anonymous ownership of IBCs. The new legislation requires IBCs to have a registered office and agent in The Bahamas, to hold general meetings at least annually, to maintain a register of officers and directors that is available to the public, and to maintain a share register containing the names and addresses of the beneficial owners of shares, along with other information that is accessible by supervisory authorities. The Act also eliminates bearer shares and requires current owners of bearer shares to convert them to regular shares within a specified time frame. IBCs that fail to comply with these provisions will be struck from the register of companies.

The Financial and Corporate Service Providers Act 2000 regulates lawyers, accountants, and business managers engaged in the registration or management of IBCs.

The Financial Intelligence Unit Act 2000 establishes the GCOB's Financial Intelligence Unit (FIU). The Act gives the FIU authority to compel production-without a court order-of information and documents, and to exchange information with foreign FIUs. The Act also permits the lifting of financial secrecy provisions for inquiries concerning money laundering. Moreover, the FIU-in consultation with financial regulators-will issue specific guidelines to financial institutions for the mandatory reporting of suspicious transactions. The Act also establishes "safe harbor" protection from criminal, civil, and professional sanctions for individuals who provide

information to the FIU. The GCOB has consulted with the Caribbean Anti-Money Laundering Programme for guidance in the establishment of an FIU. More recently, the GCOB requested that the United Nations Global Program Against Money Laundering provide it with a list of candidates from which to select a long-term mentor to assist with the development of its FIU. As currently envisioned, the FIU will have a staff of ten. Managerial positions have been filled, and the FIU is expected to become fully operational in 2001.

The Financial Transactions Reporting Act 2000 establishes "know your customer" requirements for banks, trust companies, securities broker-dealers, casinos, real estate brokers, insurance companies, co-operative societies, counsel/attorneys/accountants relative to certain transactions and others. These entities will be required to verify the identities of existing customers within 12 months, and report suspicious transactions to the FIU. The Act also creates a Compliance Commission to ensure the financial sector's compliance with the Act by institutions other than banks and trust companies. In accordance with the Act, in December 2000, the Ministry of Finance issued the Financial Transactions Reporting Regulations 2000. These regulations require institutions to verify the identity of persons conducting transactions of \$10,000 or more.

The Banks and Trust Companies Regulation Act 2000 provides for cross-border supervision by banking regulators of foreign banks and trust companies with branches or subsidiaries operating in The Bahamas consistent with the principles established by the Basle Committee. The Central Bank of Bahamas Act 2000 expands the powers of the central bank to respond to requests for information from foreign regulatory authorities. The Act also grants the central bank governor the authority to deny licenses to banks or trusts that are deemed unfit to conduct business in The Bahamas.

The Bahamas is party to the 1988 UN Drug Convention, and is a member of the CFATF and the Offshore Group of Banking Supervisors. The Attorney General has established an International Affairs Unit to deal specifically with mutual legal assistance matters. The Bahamas has a Mutual Legal Assistance Treaty with the United States, which entered into force in 1990.

The GCOB continues to further its anti-money laundering efforts with enactment of new laws, establishment of an FIU, and its stated intention to join the Egmont Group. The GCOB has enacted substantial reforms that could reduce its financial sector's vulnerability to money laundering. The GCOB now needs to focus on fully implementing its new legislation.

Bahrain (Concern). Bahrain is vulnerable to money laundering because it is a regional financial and offshore center. The most common sources of illegal proceeds in Bahrain include narcotics trafficking, fraud, and evasion of international sanctions. Bahrain recently passed legislation that reportedly criminalizes money laundering.

Bahrain has 19 commercial banking institutions—seven locally incorporated and 12 subsidiaries of foreign banks—and has 48 offshore banking units (OBUs). The Bahrain Monetary Authority (BMA) licenses OBUs. The BMA requires that OBUs be audited yearly by outside firms that have been approved by the BMA. OBUs cannot do business with residents of Bahrain—except for agencies of the GOB—and must conduct all transactions in foreign currency. However, OBUs may participate in domestic development projects with the approval of the BMA. OBUs also must be fully staffed, and a majority of the staff must be Bahraini nationals. The books and records of OBUs must be available for examination by the BMA at all times. OBUs are required to submit statistical reports to the BMA twice yearly. OBUs are exempt from taxes and are not subject to restrictions regarding foreign exchange payments or receipts.

Bahrain also permits formation of two forms of international business companies (IBCs): offshore resident companies and offshore non-resident companies. Offshore resident companies must have a principal office in Bahrain and a minimum capitalization of US \$54,000. The company must obtain a license from the BMA if it conducts financial activities. Offshore non-resident companies are exempt from the requirement of maintaining an office in Bahrain, and may instead appoint a law or auditing firm in Bahrain as their resident address. Non-resident companies must have a minimum capitalization of US \$6,750, but cannot engage in insurance or other financial activities. Registration of an IBC can take as little as seven days, and there are no restrictions on remittances sent abroad.

In January 2001, new legislation went into effect by Amiri decree that reportedly criminalizes money laundering for a number of predicate offenses, requires the reporting of large transactions, provides specific guidelines for accepting transactions, and increases monitoring of banking activity.

Legislation in force prior to the enactment Bahrain's new anti-money laundering legislation obligates financial institutions to report suspicious transactions greater than Bahraini dinars (BD) 10,000 (approximately US \$26,000) to the BMA. However, the BMA has not provided guidance to Bahraini banks on how to identify suspicious transactions.

Bahrain is a member of the Gulf Cooperation Council, which represents it before the Financial Action Task Force (FATF). In June 2000, Bahrain underwent a FATF mutual evaluation. Bahrain is a member of the Offshore Group of Banking Supervisors and has agreed to undergo a mutual evaluation by this body. Bahrain is a party

to the 1988 UN Drug Convention.

Bahrain should ensure that its offshore sector is subject to adequate supervision.

Bangladesh (Other). Bangladesh is not an important financial center. Money laundering in Bangladesh is primarily related to income tax evasion and the illegal importation of consumer goods. There is no evidence that the proceeds of drug trafficking are laundered in Bangladesh. However, Bangladesh has not criminalized money laundering and banking regulation is weak and sporadic. Corruption among officials is believed to be high.

Bangladesh is a party to the 1988 UN Drug Convention, and is a member of the Asia/Pacific Group on Money Laundering.

Barbados (Concern). The Government of Barbados (GOB) has taken several steps in recent years to strengthen its anti-money laundering regime.

The Money Laundering (Prevention and Control) Act (MLPCA) 1998 criminalizes transactions that involve the proceeds of unlawful activities that are punishable by at least one-year imprisonment. The legislation also authorized creation of the Anti-Money Laundering Authority (AMLA) to supervise financial institutions' compliance with the Act. However, the AMLA was not established until 1 August 2000, and its financial intelligence unit (FIU) was not established until 1 September 2000. The FIU is now fully staffed and operating. The AMLA also may issue training requirements and regulations for financial institutions. Money laundering is punishable in Barbados by a maximum of 25 years in prison and a maximum fine of Barbadian (BB) \$2 million, (approximately US \$1 million). The law also contains asset seizure and forfeiture provisions.

The MLPCA applies to a wide range of institutions, including domestic and offshore banks, international business companies (IBCs), and insurance companies. These institutions are required to identify their customers, to cooperate with domestic law enforcement investigations, to maintain records of all transactions exceeding BB \$10,000, and to report suspicious transactions to the AMLA. The AMLA forwards this information to the Commissioner of Police if it has reasonable grounds to suspect money laundering.

The GOB initially criminalized money laundering in 1990 through the Proceeds of Crime Act, No. 13. This law also authorizes asset confiscation and forfeiture and provides a disclosure protection safe harbor for individuals reporting suspicious activities. In 1997, the central bank issued Anti-Money Laundering Guidelines for Licensed Financial Institutions.

Barbados is an offshore center and offers offshore banking, international trusts, exempt insurance companies, IBCs, and foreign sales corporations (FSCs)—specialized companies that permit persons to engage in foreign trade transactions from within Barbados. Unofficial sources report Barbados has approximately 51 offshore banks, 376 exempt insurance companies, 3,855 IBCs and 2,975 foreign sales corporations.

The Offshore Banking Act (1980) gives the central bank authority to supervise and regulate offshore banks, in addition to Barbados's nine domestic commercial banks. Barbadian, Canadian-parent, and United Kingdom-parent banks operate on equal terms in Barbados. The Ministry of Finance issues licenses after the central bank receives and reviews applications, and recommends applicants for licensing. Offshore banks must submit quarterly statements of assets and liabilities and annual balance sheets to the central bank. Profits from offshore banks are subject to a 2.5 percent tax rate for profits of BB \$10 million or less, and not less than 1 percent for profits exceeding BB \$10 million.

The International Business Companies Act (1992) provides for general administration of IBCs. The Ministry of International Trade and Business vets and grants licenses to IBCs after applicants register with the Registrar of Corporate Affairs. Barbadian IBC's must pay a 2.5 percent tax on profits up to BB \$20 million, with decreasing tax rates on additional profits. Bearer shares are not allowed, and financial statements of IBCs are audited if total assets exceed BB \$1 million. Barbados has bilateral tax treaties that eliminate or reduce double taxation with the UK, Canada, Finland, Norway, Sweden, Switzerland, and the United States. Canada's treaty allows IBC and offshore banking profits to be repatriated to Canada tax-free after paying the 2.5 percent tax in Barbados.

In 1996, the United States and Barbados signed a Mutual Legal Assistance Treaty and an extradition treaty. Both treaties were brought into force in 2000 by an exchange of instruments of ratification. Barbados is a member of the Offshore Group of Banking Supervisors, the Caribbean Financial Action Task Force, and the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Barbados is a party to the 1988 UN Drug Convention.

The GOB needs to maintain strict control over vetting and licensing of offshore entities. The establishment of the AMLA should provide Barbados the necessary resources to enforce compliance by financial and commercial sectors, and enable it to fully cooperate with foreign authorities to investigate and prosecute money laundering and other financial crimes.

Belarus (Other). Money laundering does not seem to be a major problem in Belarus. However, Belarus has no

anti-money laundering laws, and does not have in place significant laws, regulations, or other procedures to detect it. Banks are more inclined to focus on protecting the secrecy of their clients than on discovering and reporting irregular or unaccounted-for deposits. The growing number of casinos also could become venues for money laundering.

Belarus faces problems with organized crime that plague other countries of the former Soviet Union. The lack of anti-money laundering laws could lead organized crime to engage in more substantial money laundering in Belarus.

Belgium (Concern). Belgium's financial system is vulnerable to money laundering; approximately 60 percent of the suspicious transactions reports filed by Belgian financial institutions are related to drug trafficking. Illicit funds are laundered in Belgium through the diamond industry, real estate, front companies, gambling or amusement halls, currency exchange bureaus, international wire transfers, and banks. Belgium has a comprehensive anti-money laundering regime.

The Government of Belgium (GOB) in 1990 criminalized money laundering related to all crimes, and in 1993, passed additional legislation that mandated reporting of suspicious transactions by financial institutions and created a financial intelligence unit (FIU), Financial Information Processing Center (CTIF-CFI), to analyze them. As of June 2000, the CTIF-CFI had created 8,094 distinct case files since becoming operational in 1993, and 2,020 between July 1999 and June 2000. The CTIF-CFI is member of the Egmont Group.

Belgian financial institutions are required to maintain records on the identities of clients engaged in transactions that are considered suspicious, or that involve an amount equal to or greater than EUR 10,000 (approximately US \$9,400). Financial institutions also are required to train their personnel in the detection and handling of suspicious transactions that could be linked to money laundering. No civil, penal, or disciplinary actions can be taken against institutions or individuals for reporting such transactions in good faith.

In 1998 and 1999, the GOB adopted legislation that mandates the reporting of suspicious transactions by notaries, accountants, bailiffs, real estate agents, casinos, cash transporters, external tax consultants, certified accountants, and certified accountant-tax experts. Casinos also are required to report certain other transactions.

The Judicial Police have primary responsibility for investigating money laundering in Belgium. However, the Gendarmerie also can investigate money laundering if the predicate offense is one over which the Gendarmerie has jurisdiction.

Belgium is a member of the Financial Action Task Force (FATF) and the European Union. Belgium is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Belgium has a Mutual Legal Assistance Treaty with the United States, which entered into force on January 1, 2000. The GOB exchanges information with other countries through international treaties and with foreign FIUs that have secrecy obligations similar to those of CTIF/CFI.

Belize (Concern). Belize is vulnerable to money laundering because of its growing offshore sector, which has two banks, an unknown number of international trusts, and over 16,000 international business companies (IBCs). Belize also has one Internet gaming site.

In 2000, the Financial Action Task Force (FATF) conducted a review of Belize's anti-money laundering regime against 25 specified criteria. Belize was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report noted the following about Belize's anti-money laundering regime:

Since criminalizing money laundering in 1996, Belize has generally pursued policies in law and regulation aimed at fostering a sound anti-money laundering regime. Belize has, nonetheless, certain deficiencies with regard to IBCs, particularly in the identification of beneficial owners and in ascertaining other information that could prove useful in protecting against criminal abuse of its offshore sector.

The International Business Companies Act of 1990 (Amended 1995) established a licensing system and a regulatory body, the International Financial Services Commission (IFSC), for Belize's offshore sector. The IFSC is comprised primarily of individuals with ties to the offshore industry. IBCs can no longer issue bearer shares, and the Government of Belize (GOB) reportedly is considering ways to abolish or immobilize bearer shares that are already in existence. IBC records are maintained by the Belize International Services Limited, a subsidiary of CHI Corporation, a company traded on the NASDAQ and formerly known as BHI Corporation. Offshore trusts are prevalent in Belize because they do not have to be registered with any regulatory body.

Belize's Offshore Banking Act (OBA), which regulates offshore banks, and the Money Laundering Prevention Act (MLPA) have been in force since 1996. The MLPA criminalizes money laundering related to many serious crimes; mandates reporting of suspicious transactions by banks and non-bank financial institutions; specifies penalties for banks, non-bank financial institutions, and intermediaries who assist and collaborate in money

laundering; and authorizes international cooperation in money laundering cases. The OBA and the Financial Institutions Act require financial institutions to report the identities of customers who engage in currency transactions of a large, complex, or unusual nature.

The Ministry of Finance has the authority to examine financial institutions' records. Financial institutions are required to retain records for a minimum of five years, and can lose their licenses and face a maximum fine of US \$50,000 for failing to do so. Individual bankers can be held responsible if their institutions are caught laundering money. However, bankers can be protected from prosecution if they cooperate with law enforcement.

In 2000, the GOB reportedly issued the International Financial Services Commission (Licensing) Regulations 2000, which specifies licensing requirements for Belize's offshore financial services providers. Under the regulations, only lawyers, accountants, and companies registered under the Company Act as financial institutions would be eligible for such a license. The GOB has proposed draft legislation, the Customs Regulation Act, which would require individuals to declare cross-border movements of currency that exceed US \$5,000.

The GOB has not prosecuted a single money laundering case under the MLPA, and in 2000, made no money laundering arrests. The GOB has an investigative unit within the National Criminal Investigation Branch that works with the central bank on financial cases.

Belize is a party to the 1988 UN Drug Convention. Belize is a member of the Caribbean Financial Action Task Force (CFATF), and the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. In August 2000, the GOB made a ministerial-level commitment to adhere to the minimum performance standards agreed to at the March 2000 UN Global Program Against Money Laundering. The United States and Belize have signed a Mutual Legal Assistance Treaty (MLAT), but it is not yet in force.

The GOB should pass legislation that requires offshore trusts to be registered with a central authority. Moreover, the GOB should take appropriate steps to ensure that its oversight of IBCs is conducted free of undue influence from the industry.

Benin (Other). Benin is not a major financial center. However, Beninese officials believe their country is being used by narcotics traffickers to launder profits. Although the exact nature of money laundering is unknown, Beninese officials suspect that the primary method is through the purchase of assets such as real estate, the wholesale shipment of vehicles or items for resale, and front companies. In addition, some laundering seems to occur through the banking system.

A 1997 anti-narcotics law criminalizes narcotics-related money laundering, and provides penalties of up to 20 years in prison as well as substantial fines. The law requires that all financial institutions report transactions they believe may be narcotics-related; they enjoy safe harbor protection if they do so. Financial institutions that fail to comply are subject to prison terms for their officials and fines. However, the government has not taken any significant steps to address the problem of money laundering not related to narcotics trafficking.

Benin is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Bermuda (Other). Bermuda has a large offshore financial services sector that may be attractive to money laundering. However, the Government of Bermuda has taken a number of measures to aid in the detection, investigation, and prosecution of financial crimes. As with the other British Caribbean Overseas Territories, Bermuda underwent a thorough evaluation of its financial regulation in 2000, co-sponsored by the local and British governments.

Bermuda's offshore financial sector is dominated by its nearly 1,300 insurance (mainly captive and reinsurance) companies. The sector also has approximately 11,000 "exempt companies" (international business companies). The Bermuda Monetary Authority (BMA) is the main regulator and requires disclosure and vetting of proposed beneficial owners before registering exempt companies.

The Proceeds of Crime Act 1997 criminalizes money laundering related to all "relevant offenses," including drug trafficking, corruption, counterfeiting, and fraud. The Proceeds of Crime (Money Laundering) Regulations 1998 contain a number of obligations for regulated institutions, including customer identification, record keeping, and reporting of suspicious transactions. The government also issued guidance notes in 1998 to assist financial institutions to recognize suspicious transactions and comply with their obligations.

The Financial Investigation Unit (FIU), within the Bermuda Police Service, serves as Bermuda's financial intelligence unit. It receives, analyzes, and investigates suspicious activity report (SARs). Through the end of 1999, the unit had received approximately 2,400 SARs. The FIU is a member of the Egmont Group.

Bermuda is subject to the US/UK MLAT and the US/UK extradition treaty. Bermuda is a member of the

Caribbean Financial Action Task Force (CFATF), and through the UK, is also a party to the 1988 UN Drug Convention. Bermuda is also a member of the Offshore Group of Banking Supervisors (OGBS).

Continued supervision and enforcement of regulations in the financial sector are necessary to discourage infiltration by organized crime and money launderers. Bermuda should also consider devoting additional resources toward investigative efforts to combat money laundering to more thoroughly deter international criminals.

Bolivia (Concern). Bolivia is not major financial center, and does not have an offshore sector. However, Bolivia has had a long tradition of banking secrecy that has facilitated money laundering, particularly the profits of contraband smuggling, organized crime, and drug trafficking.

The Government of Bolivia (GOB) criminalized money laundering related to organized criminal activities and public corruption through the 1988 Controlled Substances Law (No. 1008) and Law 1768 of March 1997, which amended Bolivia's Penal Code. Law 1768 also authorized creation of the Financial Investigations Unit (FIU) within the Office of the Superintendent of Banks and Financial Institutions to be responsible for implementing anti-money laundering controls. Decree 24771 of July 1997 requires banks, brokerages, and insurance companies to identify their customers, retain records of transactions for a minimum of 10 years, and report unusual and suspicious financial transactions to the FIU. The FIU has established mechanisms for sharing information with Bolivia's Public Ministry and the Special Counter-Narcotics Force (FELCN). However, personnel shortages within the Public Ministry, law enforcement, and the FIU, as well as the FIU's inability to monitor the activities of certain financial institutions, have hindered full implementation and enforcement of Bolivia's anti-money laundering controls.

The FIU is a member of the Egmont Group. Bolivia is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Bolivia is a member of the Organization of American States Inter-American Commission on Drug Abuse Control (OAS/CICAD) Experts Group to Control Money Laundering, and is a member of the South America Financial Action Task Force (GAFISUD). The GOB and the United States in 1995 signed an extradition treaty, which entered into force in 1996.

The GOB is urged to extend provisions of its anti-money laundering legislation to cover all financial institutions and to ensure that anti-money laundering bodies are sufficiently staffed.

Bosnia and Herzegovina (Other). Bosnia and Herzegovina is neither a financial center nor a money-laundering center. Laundering the proceeds of criminal activity through financial institutions is widespread, although narcotics proceeds tend to be diverted outside Bosnia. Neither US currency nor proceeds of drug sales in the US are significantly involved. Bosnia is a significant consumer of and transit point for a variety of illegal goods traded on the black market and has experienced an alarming increase in alien smuggling, which is conservatively estimated to amount to US \$50 million per year. Money laundering has not been criminalized, but is now prohibited in the civil code.

Regulatory supervision of the banking sector is largely vested at the local rather than the federal level through two separate but roughly parallel banking agencies. Although legislation generally reflects the Basle Committee's core principles, including suspicious transaction reporting and due diligence requirements, in practice banking standards do not conform to international norms, as recent bank failures have demonstrated. Some safe harbor protection has now been afforded to banking officials for actions taken in the course of their professional duties. However, Bosnia's laws remain an unwieldy combination of communist-era statutes and internationally imposed reforms. Enforcement is tenuous at best in this cash-based, largely unregulated economy, thereby creating widespread potential for financial crime.

In addition, ambiguous lines of responsibility among investigative and regulatory agencies have aggravated already rampant political interference in investigations and direct intimidation of officials.

Bosnia is a party to the 1988 UN Drug Convention and in December 2000 it signed the UN Convention against Transnational Organized Crime.

Botswana (Other). Botswana is neither a major financial center nor a money-laundering center; it is, however, an offshore financial center. The Government of Botswana has enacted strict legislation against drug production and trafficking, as well as narcotics-related money laundering. The Bank of Botswana has the discretion to provide information on large currency transactions to law enforcement agencies.

Because of concerns that Botswana's status as an offshore financial center could increase its vulnerability to money laundering, regulations reportedly have been drafted that would regulate Botswana's International Financial Services Center (IFSC).

Botswanan officials have expressed interest in obtaining training to combat bank fraud and money laundering.

Botswana is a party to the 1988 UN Drug Convention and is expected to sign the Eastern and Southern Africa

Anti-Money Laundering Group's Memorandum of Understanding in 2001.

Brazil (Primary). Money laundering that is related to drug trafficking and white-collar crime continues to occur in Brazil despite the Government of Brazil's (GOB) efforts to introduce regulatory and investigative measures to address the problem. A highly developed financial sector and an increasing problem with local drug consumption and trafficking have made Brazil a money-laundering center. In December 2000, a Brazilian Congressional Investigative Committee (CPI) probing narcotics trafficking released a 1,200-page report that detailed a vast network of drug-related organized crime, corruption, and money laundering. The report implicated over 800 people, including two federal congressmen, former state governors and other officials. The CPI estimates that approximately \$50 billion is laundered in Brazil annually.

The GOB has a comprehensive anti-money laundering regulatory regime in place. Law 9613 of March 3, 1998 criminalized money laundering related to drug trafficking and other offenses, and penalizes offenders with a maximum of 16 years in prison. The law expanded the GOB's asset seizure and forfeiture provisions and exempts "good faith" compliance from criminal or civil prosecution.

The law also created the GOB's financial intelligence unit (FIU), the Council for the Control of Financial Activities (COAF), which is housed within the Ministry of Finance. The COAF includes representatives from regulatory and law enforcement agencies—including the central bank and Federal Police—and has a staff of 16 people with plans to expand to 22 in 2001. The COAF regulates those financial sectors not already under the jurisdiction of another supervising entity. In 1999, the COAF issued regulations that addressed real estate, factoring companies, gaming and lotteries, dealers in jewelry and precious metals, bingo, credit cards, commodities trading, and dealers in art and antiques. The regulations require customer identification, record keeping, and reporting of suspicious transactions directly to the COAF. In 2000 the COAF issued regulations slightly amending the bingo, lotteries, and gaming regulations.

As of October 2000, the COAF indicated that it had received, since its inception, 5,208 suspicious transactions reports (STRs), involving approximately 5 million reais (approximately US \$2.5 million). Nearly 1000 of these reports were generated from bingo, leading the COAF to speculate that this sector may be experiencing the largest expansion in money-laundering activity. By the end of 2000, the COAF reported that it had received 6,673 STRs, leading to over 130 ongoing investigations and 100 prosecutions.

In 1999, the GOB's other regulatory bodies, the central bank, the Securities Commission (CVM), the Examiner of Private Insurance Companies (SUSEP), and the Office of Supplemental Pension Plans (PC), issued parallel regulations to covered institutions that spell out requirements for customer identification and reporting of suspicious transactions. All of these regulations include a list of guidelines that help institutions identify suspicious transactions. The central bank also established the DECIF (Departamento de Combate a Ilícitos Cambiais e Financeiros) to implement anti-money laundering policy, receive suspicious activity reports from financial institutions, and forward information to the COAF. Current bank secrecy provisions, however, protect specific account information, and thus the COAF receives only partial information from the central bank. All other government agencies—except for congressional investigative committees—must get a court order to access detailed bank account and subject information. International requestors may only obtain this information through a letter rogatory. In early January 2001, however, President Fernando Henrique Cardoso signed into law a measure that will give all regulatory bodies direct access to complete banking information without court approval. However, some Brazilian legal scholars and legislators predict that the legislation will face judicial review that is likely to render it unconstitutional.

Regulations issued in 1998 require that individuals transporting more than 10,000 reais (approximately US \$5,000) in cash, checks or traveler's checks across the Brazilian border must fill out a customs declaration that is sent to the central bank. Financial institutions remitting more than 10,000 reais (approximately US \$5,000) also must make a declaration to the central bank.

In August 2000, Brazil hosted a summit of South American presidents; the agenda of which included signing a memorandum of understanding creating the South American Financial Action Task Force (GAFISUD). In December 2000, Brazil and the other member countries of MERCOSUR signed an agreement outlining cooperation among central banks in money laundering investigations.

The GOB continues to investigate and prosecute large money laundering operations. A joint investigation by the Federal Police, the central bank, the Federal Revenue Office, and the COAF uncovered a network that allegedly laundered 30 billion reais (approximately US \$15 billion) between 1998 and 1999. Most of the laundered funds were the proceeds of drug trafficking, and trafficking in weapons and goods. Illicit funds from several Brazilian states were sent primarily to Foz de Iguaçu, a city near the border with Paraguay, where the launderers used exchange houses, more than 100 large companies, 300 "laranjas," (individuals who allow their names to be used for a fee), and special non-resident "CC-5" accounts to transfer the money abroad. The Federal Police—who are cooperating with international authorities to track down the funds—have made several arrests and secured over 300 indictments in the case.

The Brazilian press has reported extensively on the investigation of Judge Nicolau dos Santos Neto, who is accused of embezzling 169 million reais (approximately \$85 million) in funds earmarked for construction of a city courthouse. Nicolau allegedly used a system of front companies in offshore havens to transfer money and buy property abroad, including the United States. Brazilian authorities have been working with foreign authorities to track down these assets, and thus far, have identified bank accounts in the United States and Switzerland—the latter totaling approximately \$4 million—and an apartment in Miami worth approximately \$1 million. In December, Judge Nicolau turned himself in to authorities and now awaits trial on charges of embezzlement, corruption, tax evasion, and money laundering.

The COAF has been a member of the Egmont Group since May 1999. In June 2000, Brazil became a full member of FATF. The GOB and the United States signed a bilateral Mutual Legal Assistance Treaty in October 1997. The Brazilian Congress approved this treaty in December 2000, and the treaty will enter into force upon the exchange of instruments of ratification. Brazil is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Brazil is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. The GOB has bilateral information exchange agreements with Belgium, France, Paraguay, Portugal, Paraguay, and Spain.

Although the laundering of proceeds from drug trafficking and other crimes remains a major problem in Brazil, the GOB has taken important regulatory and investigative steps to address the problem. However, the GOB should ensure that all regulatory bodies have appropriate access to financial disclosure information. This would facilitate analysis, coordination, and cooperation among domestic and international authorities in their efforts to investigate and prosecute money laundering and other financial crimes.

British Virgin Islands (Concern). The British Virgin Islands (BVI) is a Caribbean Overseas Territory (COT) of the United Kingdom (UK). The BVI is vulnerable to money laundering because of an offshore sector that is one of the largest in the Caribbean. Financial services and tourism account for approximately 50 percent of the BVI's economy. The BVI's offshore sector offers incorporation and management of offshore companies, and provision of offshore financial and corporate services. The BVI has 13 banks (four of which are commercial), and approximately 1800 mutual funds, 140 captive insurance companies, 900 registered vessels, 90 licensed trust companies, and 360,000 international business companies (IBCs). Approximately 40 percent of the IBCs are resident in Hong Kong.

According to the International Business Companies Act of 1984, BVI-registered IBCs cannot engage in business with BVI residents, provide registered offices or agent facilities for BVI-incorporated companies, or own an interest in real property located in BVI, except for office leases. BVI's 90 registered agents are licensed by the Financial Services Unit (FSU), and are required to complete certification programs. Registered agents must verify the identities of their clients. The process for registering banks, trust companies, and insurers is governed by legislation that requires more detailed documentation such as a business plan and approval of the appropriate supervisor within the Financial Services Inspectorate.

The BVI criminalized drug money laundering through the Drug Trafficking Offences Act, 1987, amended 1990, and the Criminal Justice (International Co-operation) Act, 1993. The Proceeds of Criminal Conduct Act, 1997 expanded predicate offenses for money laundering to all criminal conduct, and created a financial intelligence unit, the Reporting Authority-BVI (RA-BVI), which is a member of the Egmont Group. The Financial Investigations Unit (FIU) is responsible for investigating fraud and money laundering cases, and is comprised of three police officers. Most of its investigations have involved IBCs and other offshore entities.

The Anti-Money Laundering Code of Practice (AMLCP), 1999 establishes procedures to identify and report suspicious transactions. The AMLCP requires covered entities to create a clearly defined reporting chain for employees to follow when reporting suspicious transactions, and to appoint a reporting officer to receive these reports. The reporting officer must conduct an initial inquiry into the suspicious transaction and report it to the authorities if sufficient suspicion remains. Failure to report could result in criminal liability. The FIU reportedly reviews approximately 30 suspicious transaction report (STRs) annually. In 1999, the FIU conducted 278 company inquiries, and in 2000, conducted approximately 1200. None of these queries has resulted in prosecutions. To date, the BVI has prosecuted only one money laundering case.

The Joint Anti-Money Laundering Coordinating Committee (JAMLCC) was established in 1999 to coordinate all the BVI's anti-money laundering initiatives. It is a broad-based, multi-disciplinary body comprised of private and public sector representatives. The JAMLCC has drafted Guidance Notes based on those of the UK and Guernsey.

In 2000, the Financial Action Task Force (FATF) reviewed BVI's anti-money laundering regime against 25 criteria. The FATF did not identify the BVI as a noncooperative jurisdiction in the international fight against money laundering. However, the FATF raised certain issues in its June 2000 report:

The BVI allows certain intermediaries, and individuals, which are subject to the same anti-money laundering

standards and supervision as financial institutions, to introduce business to banks and financial institutions on the basis that the introducers themselves verify the identity of the customer. In addition, the BVI allows certain institutions based in certain overseas countries, subject to equivalent anti-money laundering systems, to introduce business, without separately verifying the identity of the customer. The banks and the financial institutions are only required to know the name of the client but not to verify the identity separately. There is concern as to whether such a system is consistent with FATF Recommendations and provides sufficiently rigorous checks on the identity of clients of banks and financial institutions, especially in cases where the introducer is not a financial institution.

The BVI also has a large number of IBCs, the formation of which by intermediaries is subject to fewer identification requirements than applied to the company sector as a whole.

In 2000, the BVI passed the Criminal Justice (International Cooperation) (Amendment) Act, 2000, criminalizing the act of acquiring, using, or possessing drug proceeds, and "tipping off" individuals under investigation. The BVI also has proposed the Code of Conduct (Service Providers) Act (CCSPA) and the Information Assistance (Financial Services) Act (IAFSA). The CCSPA would encourage professionalism, enhance measures to deter criminal activity, promote ethical conduct, and encourage greater self-regulation in the financial sector. The CCSPA also would establish the Council of Service Providers, a body that would regulate the conduct of individuals within the financial services industry. The Council also would formulate policy, procedures, and other measures to regulate the industry, advise the government on legislation and policy matters, and monitor compliance within the industry. The IAFSA would increase the scope of cooperation between BVI's regulators and regulators from other countries.

The BVI is a member of Caribbean Financial Action Task Force (CFATF) and, through the UK, is a party to the 1988 UN Drug Convention. The BVI is subject to the US/UK Mutual Legal Assistance Treaty.

The BVI should fully implement and enforce all provisions of its recently passed legislation. The BVI also is urged to eliminate any legal and regulatory impediments to international cooperation and exchange of information.

Brunei (Other). Brunei is not known to be a money-laundering center. It is however, an offshore financial center. The Government of Brunei has drafted anti-money laundering legislation and has evinced a strong interest in learning about methods to combat money laundering. Although Brunei has asset forfeiture laws they have not yet been applied to narcotics-related cases. Brunei's Narcotics Control Board has taken part in courses offered by ILEA in Bangkok, and recently attended a money-laundering seminar hosted by DEA in Singapore.

Earlier this year, the Sultanate of Brunei brought into effect a series of laws that established the International Financial Center: the International Business Companies Order 2000; the International Banking Order 2000; the Registered Agents and Trustees Licensing Order 2000; the International Trusts Order 2000; and the International Limited Partnerships Order.

This new offshore financial services center will offer banking services, provide for the formation of IBCs, trusts and limited partnerships. Supervisory authority is reportedly vested in a separate unit of the Ministry of Finance—referred to simply as the "Authority." Reports indicate that this entity, however, will combine both regulatory and marketing responsibilities.

Brunei is a party to the 1988 UN Drug Convention. Brunei is an observer jurisdiction to the Asia/Pacific Group on Money Laundering.

Bulgaria (Concern). Bulgaria, particularly its financial system, is vulnerable to money laundering related to narcotics trafficking and financial crimes such as bank and corporate fraud, embezzlement, tax evasion, tax fraud, and the illegal conversion of state-owned property. The proceeds of drug trafficking, contraband smuggling, vehicle theft, alien smuggling, prostitution, and extortion also are laundered in Bulgaria. The source and destination for much of the illicit funds include Eastern Europe, the former Soviet Union, Turkey, and the Middle East. The presence of organized criminal groups and official corruption contribute to Bulgaria's money laundering problem. Small-scale change bureaus also may play a role. The Government of Bulgaria (GOB) has declared the eradication of organized crime, corruption, and money laundering a national priority.

Bulgaria's anti-money laundering legislation, the Law on Measures Against Money Laundering, entered into force in July 1998. Money laundering is criminalized by Articles 253 and 253a of the Bulgarian Criminal Code; the law applies to the proceeds of all serious crimes. Anti-money laundering measures include customer identification and record keeping requirements, suspicious transaction reporting, and internal rules for financial institutions on implementation of an anti-money laundering program. Banks, securities brokers, auditors, accountants, insurance companies, investment companies, and other businesses are subject to these reporting requirements. Bank information can be obtained by law enforcement through a court order and an instruction from the prosecutor general. The money laundering legislation does not apply to casinos, which are an increasingly important mechanism for laundering money in Bulgaria.

The Ministry of Finance's Bureau of Financial Intelligence (BFI) is Bulgaria's financial intelligence unit. Since its establishment, the BFI has suspended 21 suspicious funds transfers to foreign banks, and has opened seven money-laundering investigations.

The GOB is considering legislation that would address forfeiture and seizure of criminal assets, allow indictment of legal persons on money laundering charges, and prohibit funds of dubious or criminal origin from being used in the acquisition of banks and businesses through the privatization process.

Bulgaria is a member of the Council of Europe (COE) and participates in the COE's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). In November 1999, Bulgaria underwent a mutual evaluation by the PC-R-EV, and has been implementing changes to its anti-money laundering regime based on recommendations in the group's report. Bulgaria is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Bulgaria has no bilateral agreements on money laundering.

The GOB is urged to further strengthen its anti-money laundering regime through approval and full implementation of proposed measures that would address seizure and forfeiture of criminal assets; allow indictment of legal persons on money laundering charges; and prohibit funds of dubious or criminal origin from being used in the acquisition of banks and businesses through the privatization process.

Burma (Primary). Burma's economy continues to be vulnerable to drug money laundering because of its under-regulated financial system, weak anti-money laundering regime, and policies that facilitate the funneling of drug money into commercial enterprises and infrastructure investment.

Political and economic constraints on the flow of legitimate capital into Burma have increased the importance of narcotics-derived funds to the Burmese economy. As a result of cease-fire agreements, the Government of Burma (GOB) has encouraged former insurgent groups to invest money into legitimate commercial ventures. This policy has the effect of facilitating the laundering of illegal drug proceeds by some of the former insurgent groups through investments in banks, hotels, and construction companies. Businesses owned by family members of former or present drug traffickers also have invested heavily in infrastructure projects such as roads and port facilities, banks, hotels, casinos, and other real estate development projects.

In 1993, the GOB adopted the Narcotics Drugs and Psychotropic Substances Law. This law criminalizes narcotics-related money laundering and allows for seizure of assets that are derived from the drug trade. The GOB has been slow to implement provisions of this law, and has targeted few, if any, traffickers or their assets. GOB officials admit to having difficulty in implementing provisions related to money laundering because of their lack of expertise in money laundering and financial crimes investigations. The GOB reportedly is drafting new anti-money laundering legislation that would address deficiencies in its present legislation.

Burma does not have a financial intelligence unit, and is not active in international or regional anti-money laundering fora. Burma is an observer jurisdiction to the Asia/Pacific Group on Money Laundering. Burma is a party to the 1988 UN Drug Convention. The GOB has bilateral drug control agreements with India, Bangladesh, Vietnam, Russia, Laos, and the Philippines. It is not known whether these agreements cover cooperation on money laundering issues.

Burma must increase the regulation and oversight of its banking system, and end policies that facilitate the investment of drug money into the legitimate economy. Burma also should step up efforts to enforce existing money laundering legislation by investigating and prosecuting money launderers. Moreover, Burma is urged to pass new legislation that would expand predicate crimes for money laundering and provide additional tools to authorities for the detection and prosecution of money laundering.

Cambodia (Concern). Cambodia is not a major financial center, and does not have an offshore sector. Cambodia is vulnerable to money laundering because it is a transit country for heroin trafficking from the Golden Triangle. Crime, corruption, and money laundering reportedly are on the increase in Cambodia.

Cambodia in 1996 criminalized money laundering related to narcotics trafficking through the Law on Drug Control. The law includes provisions for customer identification, suspicious transaction reporting, and the creation of the Anti-Money Laundering Commission (AMLC) under the Prime Minister's Office. The composition and functions of the AMLC were to be promulgated through a separate decree. The provisions of this law have yet to be fully implemented and enforced.

In December 1999, Cambodia passed legislation, "The Law on Banking and Financial Institutions," that imposed capital and prudential requirements on financial institutions. Capital requirements for commercial banks will increase from US \$5 million to US \$13.5 million. Commercial banks also must maintain 20 percent of their capital on deposit with the National Bank of Cambodia (NBC) as reserves. The law required the NBC to review all banking licenses within one year. Only four banks—all foreign-owned—have received licenses under the new law. An additional 15 banks will have a one-year grace period to meet licensing requirements.

Money laundering offenses are investigated by the same entities that have jurisdiction over the underlying predicate crimes. However, these entities are not trained to detect, investigate, and prosecute money laundering cases.

Cambodia has assisted neighboring countries with money laundering investigations. Cambodia is not a party to the 1988 UN Drug Convention.

The Government of Cambodia (GOC) should fully implement and enforce its anti-money laundering legislation. Moreover, the GOC should better educate officials and financial institutions about anti-money laundering methods.

Cameroon (Other). Cameroon is not a regional financial center. Although illicit drugs transit Cameroon, there is no information indicating significant money-laundering activity. Cameroon's banking system is supervised by the Bank of Central African States (BEAC), a regional central bank that serves six countries of Central Africa.

In November 2000, Cameroon and the BEAC hosted a conference for BEAC member countries to devise joint structures and legal strategies for fighting money laundering.

Cameroon has not criminalized money laundering.

Cameroon is a party to the 1988 UN Drug Convention, and in December 2000 signed the UN Convention against Transnational Organized Crime.

Canada (Primary). Canada is neither a regional nor an offshore financial center. However, Canada remains vulnerable to money laundering because of its advanced financial services sector and heavy cross-border flow of currency and monetary instruments. Canada has financial institutions that engage in currency transactions involving international narcotics proceeds that include significant amounts of US dollars. Canada's financial institutions have been used to launder the proceeds of Latin American and Asian drug trafficking, and Asian organized crime. As a result of the common border between our two countries, strong and effective anti-money laundering enforcement is essential. The US Government is particularly concerned about the cross-border movements of currency.

The Government of Canada (GOC) continues to strengthen its anti-money laundering regime. In July 2000, the GOC passed the Proceeds of Money Laundering Control Act (PMLCA), which adopted enhancements recommended by the Financial Action Task Force (FATF) in 1999. The full effectiveness of this new legislation will not be known, however, until strong implementing regulations are put into place and enforced.

The PMLCA established the Financial Transaction and Reports Analysis Center (FinTRAC) on July 5, 2000. Under implementing regulations, FinTRAC will collect and analyze suspicious activities reports (SARs) from financial institutions and financial intermediaries, and determine which suspicious transactions merit further investigation. In addition, money service businesses, casinos, lawyers, and accountants handling third-party transactions are required to file SARs. The GOC expects that FinTRAC will be fully operational by mid-2001. The GOC presently is identifying managers and other staff for FinTRAC, and purchasing computer hardware and software. The GOC intends to have FinTRAC recognized by the Egmont Group as a Financial Intelligence Unit (FIU). FinTRAC will have the authority to negotiate and set guidelines for sharing information with foreign counterparts. US law enforcement has expressed concerns that there may be legal impediments restricting FinTRAC's ability to share information. The PMLCA also mandates reporting of cross-border movements of currency or monetary instruments as will be defined in implementing regulations.

Canada is a member of the FATF, and underwent a second FATF mutual evaluation in May 1997. Canada is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Canada also participates in the CFATF as a Cooperating and Supporting Nation. Canada is an observer jurisdiction to the Asia/Pacific Group on Money Laundering (APG). Canada has long-standing agreements with the United States on law enforcement cooperation, including treaties on extradition and mutual legal assistance. Canada is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The GOC should ensure that the FinTRAC meets Egmont standards for FIUs, especially with regard to sharing information with other FIUs. The GOC also is urged to adopt and fully implement regulations that define cross-border currency reporting requirements.

Cayman Islands (Primary). The Cayman Islands, a United Kingdom (UK) Caribbean Overseas Territory (COT), remains vulnerable to money laundering because of its significant offshore sector that provides a wide range of services such as private banking, brokerage services, mutual funds, various types of trusts as well as company formation and company management. In March 2000, Cayman Islands authorities reported that approximately 570 banks and trust companies, 2,238 mutual funds, and 499 captive insurance companies were licensed in the Cayman Islands.

In addition, approximately 45,000 offshore companies are registered in the Cayman Islands.

In June 2000, the Financial Action Task Force (FATF) identified the Cayman Islands as non-cooperative in international efforts to fight money laundering. The FATF in its report cited several concerns:

The Cayman Islands does not have any legal requirements for customer identification and record keeping. Even if in the absence of a mandatory requirement, financial institutions were to identify their customers, supervisory authorities cannot, as a matter of law, readily access information regarding the identity of customers. Moreover, the supervisory authority places too much reliance on home country supervisors' assessment of management of bank branches.

Although the Cayman Islands has criminalized the laundering of the proceeds of all serious crimes and its system encourages reporting of suspicious transactions (by providing a safe harbor from criminal liability for those who report), it lacks a mandatory regime for the reporting of suspicious transactions. Moreover, a large class of management companies—including those providing nominee shareholders for the purpose of formation of a company or holding the issued capital of a company—is unregulated.

At the same time, the Cayman Islands has been a leader in developing anti-money laundering programs throughout the Caribbean region. It has served as president of CFATF, and it has provided substantial assistance to neighboring states in the region. It has demonstrated co-operation on criminal law enforcement matters, and uncovered several serious cases of fraud and money laundering otherwise unknown to authorities in FATF member states. In addition, it has closed several financial institutions on the basis of concerns about money laundering.

In July 2000, the US Treasury Department issued an advisory to US financial institutions warning them to pay special attention to give "enhanced scrutiny for certain transactions or banking relationships" involving the Cayman Islands.

In 1999, the Cayman Islands and the other UK COTs agreed to undergo a comprehensive review of their financial regulation, and implement recommended changes. The results of this review were published in October 2000 and indicate that although the Cayman Islands has made progress, its current regulatory structure was still not fully in accordance with international standards. The primary recommendations of the report were:

- * Full operational independence for the Cayman Islands Monetary Authority.
- * Improved supervision of the Cayman Islands Stock Exchange.
- * Increased on-site visits by banking regulators.
- * Improved supervisory process of company service and trust service providers.
- * Strengthened regulation of partnerships.
- * Improved international cooperation.
- * Enhancements to the Misuse of Drugs Law.
- * A review of the Code of Practice to ensure that it takes account of the Money Laundering Regulations 2000.

The report also stressed the importance of addressing bearer shares, and noted that the Cayman Islands in 2001 plans to introduce legislation that would immobilize bearer shares. The report lauded the Cayman Islands' efforts to date in strengthening its anti-money laundering regime.

In 2000, the Cayman Islands approved regulations and legislation that were intended to address deficiencies in its anti-money laundering regime. Regulations that entered into force in September 2000 specified record keeping and customer identification requirements for financial institutions. The regulations specifically cover individuals who establish a new business relationship, engage in a one-time transaction over Cayman Islands (CI) \$15,000, or may be engaging in money laundering. The customer identification requirements do not apply to existing accounts with financial intermediaries.

Amendments to the Proceeds of Criminal Conduct Law (PCCL) make failure to report a suspicious transaction a criminal offense that could result in fines or imprisonment. The law does not specify a time frame in which suspicious transaction reports must be made, but instead, states that the transaction should be reported within a "reasonably practicable" timeframe once it comes to the person's attention.

Amendments to the Monetary Authority Law (MAL) grant the Cayman Islands Monetary Authority (CIMA) the power to obtain information from a person regulated under the laws of the Cayman Islands, a connected person, or a person reasonably believed to have information relevant to an inquiry by CIMA. The amendment includes provisions for identification of account holders and beneficial owners. However, CIMA can only obtain information about the identity of a client through a court order, which hinders CIMA's ability to detect, investigate, and take action against money laundering and the underlying offense. Further amendments to the

MAL grant CIMA the authority to assist certain overseas regulators by sharing information in its files and obtaining client and other information from regulated and unregulated persons. CIMA's assistance is limited to overseas regulatory authorities that have the same functions as CIMA or those authorities "as may be specified in regulations" that have yet to be promulgated.

Also in 2000, the Cayman Islands passed the Banks and Trust Companies (Amendment) (Access to Information) Law, 2000, and the Companies Management (Amendment) (Access to Information) Law, 2000.

The Cayman Islands published a non-binding money laundering Code of Practice pursuant to Section 20 of the Proceeds of Criminal Conduct Law (1999 Revision) to coincide with its hosting of the UN Offshore Plenary Forum of International Money Laundering. The Code of Practice is intended to give Cayman Islands financial service providers guidance about preventing and detecting money laundering. The code outlines procedures for identifying clients, training staff, documenting evidence, and maintaining records consistent with international standards. However, the Code does not create a legal obligation; therefore, failure to comply with its provisions does not constitute a legal offense.

The Cayman Islands cooperates with US law enforcement in money laundering cases. In 1999, the Cayman Islands did not prosecute anyone for money laundering; however, it did arrest several individuals on suspicion of money laundering.

The Cayman Islands, through the UK, is a party to the 1988 UN Drug Convention. The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF) and the Offshore Group of Banking Supervisors (OGBS). In addition, there is a 1986 US-UK Mutual Legal Assistance Treaty (MLAT) covering the Cayman Islands.

The Cayman Islands has made progress toward strengthening its anti-money laundering regime, and is urged to fully address all deficiencies that have been identified in its anti-money laundering regime. In particular, the Cayman Islands should follow through on its stated plans to immobilize bearer shares.

Chile (Concern). Chile has a well-developed financial sector, but is not considered a major regional financial center. Chile does not have an offshore sector. Chile continues to be vulnerable to money laundering because it lacks key legal provisions that aid in the prevention and detection of money laundering. According to press reports in April 2000, a Chilean Senate Finance Committee estimated that approximately US \$10 billion is laundered annually through Chile. Money launderers reportedly exploit Chilean banks, commodities brokerages, and currency exchange businesses. Moreover, large real estate projects and casinos also are vulnerable to money laundering.

In 1995, Chile criminalized money laundering related to narcotics trafficking through the Counternarcotics Law. The law allows banks to voluntarily report suspicious or unusual financial transactions. However, the legislation has no "safe harbor" provisions that protect banks from potential civil or criminal liability. As a result, reporting of such transactions has been extremely low. Moreover, the legislation does not require reporting of large currency transactions. In December 1999, the Government of Chile (GOC) proposed legislation that would amend the Counternarcotics Law by mandating reporting of suspicious financial transactions, and creating a new financial intelligence unit to replace the existing FIU. However, the proposed legislation would not expand predicate crimes for money laundering. The Chilean Congress has not approved the legislation.

Chile's Judicial Reform Law of 1997 gives both the Council for the Defence of the State (CDE) and the Public Ministry responsibility for investigating money laundering cases. This joint arrangement will continue for at least two years. The pending amendments to the Counternarcotics Law would give the Public Ministry sole responsibility for implementing the new law when it is promulgated.

Chile is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Chile is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the newly created South American Financial Action Task Force (GAFISUD). Chile's current financial intelligence unit, the Departamento de Control de Trafico Illicito de Estupefacientes, is a member of the Egmont Group.

In August 2000, Chile and the United States signed an agreement for cooperation and mutual assistance in narcotics-related matters. Chile has similar agreements in force with the United Kingdom, Spain, and the Czech Republic. Bilateral agreement negotiations are underway with France, Germany, Russia, Poland, Romania, Ukraine, Turkey, Tunisia, Guatemala, and Honduras.

The GOC is urged to pass anti-money laundering legislation that would mandate reporting of both suspicious and large currency transactions by financial institutions, provide "safe harbor" protections to entities that report such transactions, and expand predicate offenses for money laundering to include all serious crimes. Moreover, the COG should ensure that its FIU has the authority and resources necessary to make it an effective force against money laundering, and that it can readily share information with international counterparts.

China, People's Republic of (Primary). In response to the growing threat of money laundering, the People's Republic of China (PRC) has begun to focus greater attention on improving the country's anti-money laundering regime. The State Council (Cabinet) has directed various government agencies to examine their current anti-money laundering measures and to draft new regulations for the commercial banking, regulatory, and enforcement sectors. The government views an enhanced anti-money laundering regime as a means to stem the rise in financial crime and corruption. Narcotics trafficking, smuggling, extortion, alien smuggling, and the counterfeiting of currency and goods remain major sources of illegal proceeds in the PRC. Foreign and domestic organized criminal activity, endemic corruption at the provincial and local levels, and the continued presence of anonymous bank accounts contribute to the PRC's money-laundering problem.

The PRC's efforts to address money laundering began in 1990, when the National People's Congress (NPC) adopted the country's first law criminalizing narcotics-related money laundering and allowed the confiscation of narcotics proceeds. In 1997, the NPC adopted the PRC's current Criminal Code, Article 191, which makes it a crime to launder the proceeds of narcotics trafficking, organized criminal activity, and smuggling. Efforts are underway to draft amendments to the Code that would expand the definition of predicate offenses for money laundering to include the proceeds of all criminal activity. In addition to Article 191, Article 312 of the Criminal Code criminalizes complicity in concealing the proceeds of criminal activity.

As in many civil law-based countries, the PRC charges each offense separately, and defendants who have laundered the proceeds of a predicate crime usually are prosecuted for the predicate offense rather than money laundering because the predicate offense generally carries a heavier penalty and is easier to prove. The sentences handed down by tribunals in 2000 illustrate the severity of punishment. Several dozen senior officials at both the national and provincial levels were sentenced to death for corruption and smuggling.

The PRC took additional steps in 2000 to combat money laundering. In April 2000, the PRC passed a statute that requires anyone opening a new bank account to do so in his or her true name. When opening or depositing money into a new account, the customer must produce an identification card to verify his or her identity. Existing anonymous accounts may remain open for five years from the time of the account's establishment. After five years, the account holder must re-register the account in his or her true name only. Anonymous accounts will be phased out in 2005.

The People's Bank of China (PBOC)--China's central bank--has issued internal regulations that require currency transaction reports for all transactions involving Renminbi (RMB) 50,000 (US \$6,000) or more. The PBOC also has issued rules concerning the recording and reporting of currency transactions at the county level, as well as a circular to Chinese banks regarding the reporting of suspicious transactions. Withdrawals of RMB 200,000 (US \$24,000), deposits of RMB one million (US \$120,000), or a series of aggregate transactions totaling RMB one million must be reported to the PBOC. At the county level, withdrawals of RMB 50,000 (US \$6,000) require picture identification. However, central bank supervisors do not verify compliance with these rules.

In addition, the PRC has foreign currency exchange controls. Commercial banks require PRC citizens to justify the exchange of RMB into a foreign currency. The maximum amount of foreign currency that a PRC citizen may take out of the PRC is US \$2,000. For foreigners, the threshold is US \$5,000. Requests for exchanges of currency above these thresholds require advance certification through documentation of the need for the foreign currency, such as for foreign travel or commerce.

The United States and the PRC continue to discuss cooperation on money laundering and other law enforcement topics under the auspices of the US-PRC Joint Liaison Group (JLG) on law enforcement cooperation. The last JLG meeting took place in June 2000 in Beijing. In 2000, US enforcement and regulatory agencies hosted several law enforcement delegations from China to discuss money laundering and financial crimes. In addition, the US Departments of Treasury and Justice conducted various training seminars in the PRC featuring the enforcement and prosecutorial aspects of money laundering.

In October 2000, an interagency US Government team visited the PRC to assess the need for training to help PRC authorities combat money laundering. The team will make recommendations on future training.

The United States and the PRC in June 2000 signed a Mutual Legal Assistance Agreement (MLAA), which contains general obligations to cooperate in criminal matters. The agreement is not yet in force. The PRC is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. The PRC is a member of the Asia/Pacific Group on Money Laundering.

As the PRC examines ways to enhance its anti-money laundering regime, consideration should be given to criminalizing money laundering for all serious crimes, and abolishing anonymous accounts prior to 2005. The PRC also should adopt comprehensive anti-money laundering legislation that establishes appropriate mechanisms for prevention, detection, and enforcement.

Colombia (Primary). Colombia has financial institutions that engage in currency transactions involving international narcotics proceeds that include significant amounts of US dollars. As the world's largest

production and distribution source for cocaine and a significant supplier of heroin to the United States, Colombia has a natural vulnerability to drug money laundering. Pervasive commercial smuggling for tax and import duty avoidance, arms trafficking related to violent paramilitary groups and guerrilla organizations, along with continued capital flight from Colombia's fragile economy, are among additional factors that exacerbate the money laundering threat in Colombia. Trade-based money laundering, such as the Black Market Peso Exchange (BMPE), through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors and others in exchange for Colombian Pesos in Colombia, is a prominent method for laundering narcotics proceeds. Colombia also appears to be a significant destination and transit location for bulk shipment of narcotics-related United States currency, while the use of wire remitters and transactions involving precious metals and stones are believed to play significant roles in drug money laundering through Colombia. Smart cards and other financial sector technology represent growing challenges to money laundering enforcement in Colombia.

Although important reforms are needed to enhance law enforcement efforts, Colombia has significant legal authority to combat money laundering. Colombia has criminalized the laundering of the proceeds of extortion, illicit enrichment, rebellion, and drug trafficking. Colombia's 1996 extinction of domain forfeiture legislation provides for criminal forfeiture of drug money laundering proceeds, in rem forfeiture when assets are held in the name of a nominee or have been transferred, and forfeiture of substitute assets. Originally created by executive decree in 1998, Colombia formally adopted legislation in 1999 to establish a unified central Financial Information and Analysis Unit (UIAF) within the Ministry of Finance and Public Credit with broad authority to access and analyze financial information from public and private entities in Colombia. Additional forfeiture authority in criminal prosecutions is more generally available elsewhere in the Colombian criminal code.

In addition, the Superintendency of Banks has instituted "know your customer" regulations for the entities it regulates, including banks, insurance companies, trust companies, insurance agents and brokers, and leasing companies. Among other things, the Superintendency of Banks also has authority to rescind licenses for wire remitters. As a result of regulations issued in 2000, the Superintendency of Securities, which oversees Colombia's three stock exchanges, also will soon begin instituting anti-money laundering compliance procedures. However, the Colombian central bank's new External Resolution No. 8 issued in May 2000 relaxed certain requirements on individuals conducting currency exchange services, enabling them simply to identify this service when registering their business but eliminating the need for them to become fully licensed. Financial institutions and wire remitters are required to file suspicious activity reports, while currency transactions and cross-border movements of currency in excess of US \$10,000 must also be reported. In addition, casas de cambio must file currency reports for transactions involving US \$700 or more, while wire remitters must pay withdrawals over US \$3000 by check.

The Prosecutor General's office established a specialized task force unit of agents and prosecutors to investigate and prosecute money laundering cases and forfeiture actions under the 1996 Extinction of Domain statute. Recent reductions in the rate of turnover among members of the unit may bring some stability to the office and increase its effectiveness. Including convictions under prior offenses of criminal reception and illicit enrichment, this unit has obtained criminal sentences in 33 money laundering related cases and has more than 200 active cases pending. Colombian authorities have seized more than 10,000 properties in more than 250 forfeiture actions, although Colombia has obtained forfeiture judgments in just twelve cases.

The UIAF receives an average of 500 suspicious activity reports (SARs) per month, totaling nearly 15,000 received since December of 1998. However, only thirteen of these SARs have been forwarded to the Prosecutor General's office for enforcement and only a handful of those forwarded have been accepted for further investigation or prosecution.

Colombia played a significant role in multilateral efforts to combat money laundering in 2000. In December, Colombia was the host of the inaugural meeting of GAFISUD, a South American regional anti-money laundering organization modeled after the Financial Action Task Force. Colombia also participated in a multilateral initiative with the Governments of the United States, Venezuela, Panama, and Aruba designed to address the problem of trade-based money laundering through the BMPE among the participating countries. In addition, in 2000 Colombia's UIAF became a new member of the Egmont Group.

During 2000, the United States and Colombia have continued to expand bilateral cooperation against money laundering. Among the eleven Colombian citizens extradited to the United States in 2000 were two wanted on money laundering charges. An additional seven persons indicted on money laundering charges were provisionally arrested in Colombia pursuant to United States requests for extradition. Colombia has also provided important continuing assistance to United States civil forfeiture actions against accounts in Colombia restrained in 1998 and 1999 in response to United States formal requests for assistance in Operations Juno and Casablanca. Colombia's Tax and Customs Directorate (DIAN) also provided valuable case-related assistance and training to United States prosecutors and agents in 2000.

In 2000, Colombia adopted a new criminal and criminal procedure code. These measures expand money

laundering predicates to include conspiracy and corruption. However, this legislation, which does not come into effect until June of 2001, is under constitutional challenge. Additional legislation still pending would permit the disclosure of tax information to law enforcement for criminal investigation purposes.

The United States' July, 2000 appropriations in support of Plan Colombia are anticipated to provide meaningful assistance for money laundering and forfeiture prosecutions in 2001. These funds are expected to provide significant training and equipment investments for the Office of the Prosecutor General, the UIAF, the asset management program of the National Drug Directorate (DNE), and DIAN, among other things.

Colombia is a party to the 1988 UN Drug Convention and in December 2000 signed the UN Convention against Transnational Organized Crime. Colombia is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. The United States and Colombia have signed a Mutual Legal Assistance Treaty but it is not yet in force.

Colombia has established a comprehensive legal and regulatory program and has demonstrated an international commitment to combat money laundering. The Government of Colombia (GOC) should ensure that judges and prosecutors are adequately trained in order to fully enforce Colombia's anti-money laundering laws. The GOC also is urged to improve coordination among its law enforcement agencies by clarifying ambiguous lines of authority with respect to the sharing of information. The GOC should also undertake measures to improve its ability to successfully prosecute the predicate offenses for money laundering.

Cook Islands (Concern). The Cook Islands is a self-governing group of islands in the South Pacific that maintains a free association with New Zealand. Cook Islanders are citizens of New Zealand and are part of the British Commonwealth. The Cook Islands is vulnerable to money laundering because of an offshore sector that offers banking, insurance, international trusts, and formation of international companies, (the equivalent of international business companies, IBCs). Marketers of offshore services on the Internet promote the Cook Islands as a favored jurisdiction for establishing asset protection trusts.

The International Companies Act of 1981 (amended 1982) allows formation of IBCs. It permits issuance of bearer shares, marketing of shelf companies, and prohibits public access to registers of corporate directors or managers or the disclosure of beneficial owners. This legislation is substantially similar to legislation that was enacted by Samoa and is based on a British Commonwealth and South Pacific Forum model. A corporation must grant prior approval before its records in the Companies Office Registry can be examined. Corporate entities may be listed as officers and shareholders of companies—except for companies engaged in banking and insurance, unless specifically licensed to do so—because corporations have the legal powers of a natural person. Corporate directors are not required to be residents. However, companies must maintain in the Cook Islands a registered office and company secretary. Companies must file annual returns, but are not required to have their accounts audited.

In June 2000, the Financial Action Task Force (FATF) listed the Cook Islands as a non-cooperative jurisdiction in the international fight against money laundering. FATF in its report noted:

In particular, the government has no relevant information on approximately 1,200 international companies that it has registered. The country has also licensed seven offshore banks that can take deposits from the public but are not required to identify customers and keep their records. Its excessive secrecy provisions guard against the disclosure of relevant information on those international companies as well as bank records.

During the FATF review process, the government expressed its intention to propose to the Parliament, before October 2000, two bills which would criminalize money laundering and establish a suspicious transaction reporting system with a financial intelligence unit (FIU). However, the authorities indicated that those bills would not likely introduce a customer identification requirement, nor would they relax the excessive secrecy provisions.

Following the FATF non-cooperative countries and territories exercise, the US Treasury Department issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving the Cook Islands.

In August 2000, the Government of the Cook Islands (GOCI) passed legislation, the Money Laundering Prevention Act 2000 (MLPA), that criminalizes all money laundering; creates an FIU; mandates the reporting of suspicious transactions by financial institutions; and defines records retention and customer identification requirements for financial institutions. Money laundering is defined by the Act as engaging directly or indirectly in a transaction that involves the proceeds of crime; or receiving proceeds of a crime, including property that may be co-mingled with the proceeds of crime. Penalties for money laundering include a maximum fine of New Zealand \$20,000 (approximately US \$8,600) and maximum prison sentence of five years.

The MLPA imposes certain reporting obligations on financial institutions such as banks, offshore banking businesses, offshore insurance businesses, casinos, and gambling services. Financial institutions are required

to report transactions if there is reasonable cause to suspect that the transaction involves the proceeds of a crime. Financial institutions are required to maintain for a minimum of five years all records that are related to the opening of accounts, and business transactions that exceed NZ \$30,000 (approximately US \$12,900). The records must include sufficient documentary evidence to prove the identity of the customer. Financial institutions are required to develop procedures to audit their compliance with these provisions.

The MLPA establishes a Money Laundering Authority (MLA) that is comprised of the financial secretary, the commissioner for offshore financial services, and the commissioner of the police. The MLA currently constitutes the financial intelligence unit. The MLA receives suspicious transactions reports; sends reports to the solicitor general when money laundering is suspected; instructs financial institutions to cooperate with investigations; compiles statistics and records for use by domestic and international regulatory and law enforcement; issues guidelines to financial institutions; and creates and provides to financial institutions training on record keeping and reporting requirements. The MLPA also requires that individuals declare cross-border movements of currency or negotiable securities greater than the equivalent of NZ \$10,000 (approximately US \$4,300) to a police, customs, or immigration officer. Failure to declare cross-border movements of currency or negotiable instruments can result in a maximum fine of NZ \$1,000 (approximately US \$430) and a maximum prison sentence of one year.

The Cook Islands has also drafted regulations (The Money Laundering Prevention Regulations 2000) which specify the documentation required for satisfactory customer identification, details to be included in suspicious transaction reports (STRs) and time lines for filing STRs. These had yet to come into legal effect by year's end.

The Offshore Industry (Criminal Provisions) Act 1995–96 requires officers and employees of the Cook Islands' six trustee companies to report to the Cook Islands Commissioner for Offshore Financial Services (COFS) suspicious activities related to narcotics trafficking or transactions where there is actual knowledge that a serious crime has been committed. Trustee companies must provide information to the COFS to substantiate their suspicions. The COFS can petition the High Court to rescind the license of or strike from the corporate register offshore entities found to be involved in such crimes. Moreover, the High Court also may dispose of the assets of the business entity.

The MLPA authorizes the MLA to cooperate with foreign governments that have entered into bilateral or multilateral mutual assistance arrangements with the GOCI. However, Section 21 of the MLPA makes provision for ad hoc requests, granting the Minister of Finance the power to approve cooperation with a foreign government without an agreement in place. Money laundering is an extraditable offense.

The Cook Islands is an observer jurisdiction to the Asia/Pacific Group on Money Laundering. The Cook Islands is not a party to the 1988 UN Drug Convention.

The GOCI should fully implement and enforce the provisions of the recently passed MLPA. Moreover, the GOCI should eliminate excessive bank and corporate secrecy provisions, and expand oversight of the offshore sector.

Costa Rica (Concern). Costa Rica is vulnerable to money laundering because of increased drug trafficking in the region and a lack of stringent regulatory and supervisory controls for its offshore sector. Anecdotal information suggests that Costa Rica's financial institutions, currency-exchange businesses, casinos, and real estate market have been used to launder money.

Costa Rica's domestic banking sector is comprised of approximately 25 banks, 15 finance companies, and 27 savings and loan institutions, and is supervised by the General Superintendent of Financial Entities (SUGEF). Low taxes and strong secrecy laws have created in recent years a growing offshore sector that offers banking services, and corporate and trust formation. The central bank must approve applications for offshore banks. Costa Rica has approximately 20 foreign financial institutions and 24 offshore branches of domestic financial institutions. Foreign banks must adhere to regulations established by their parent banks, but are not subject to effective local supervision. Foreign offshore banks are required only to provide monthly balance statements and year-end audited statements to the SUGEF. Nonresidents can hold US dollar bank accounts. Although Costa Rica does not allow bearer shares, secrecy provisions can prevent access to ownership information of corporations. Trusts also can be shareholders of corporations. This arrangement provides tax advantages and additional secrecy.

Costa Rica's telecommunications system, lax regulatory regime, and an abundance of English speakers have made it a haven for Internet gaming companies. The number of Internet gaming licenses issued by Costa Rica has increased from three to 70 in the span of three years.

Law No. 7786 on Narcotics and Psychotropic Substances of May 1998 reformed a previous drug law and criminalized money laundering related to drug trafficking. Drug money laundering is punishable by eight to 20 years in prison. However, Costa Rica has not successfully prosecuted anyone under its current anti-money laundering laws.

Costa Rican law also obligates all financial institutions to identify their clients, record and report currency transactions that exceed US \$10,000 to regulators, report suspicious transactions, and maintain records for a minimum of five years. Covered financial institutions include those supervised by SUGEF, the General Superintendent of Securities, and the Superintendent of Pensions, money exchangers and remitters, and dealers in traveler's checks and money orders. Other businesses such as dealers in jewelry and consumer goods, casinos, and credit card companies must report cash transactions that exceed US \$10,000 to the Joint Counternarcotics Intelligence Center (CICAD). These businesses also must report suspicious transactions. Individuals are required to report cross-border movements of currency that exceed US \$10,000. The law exempts good faith compliance from criminal, civil, or administrative liability.

The law also created the Unidad de Analisis Financiero (UAF), Costa Rica's financial intelligence unit, to receive and analyze suspicious financial transaction reports and investigate cases of money laundering. Financial institutions are required to report suspicious financial transactions to SUGEF, which forwards disclosures to the UAF. In June 1999, the UAF joined the Egmont Group. The UAF exchanges information with its counterparts.

Costa Rica's Legislative Assembly is considering legislation that would extend the predicate offenses for money laundering beyond drug trafficking.

Costa Rica is a member of the Caribbean Financial Action Task Force (CFATF), and the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Costa Rica is a party to the 1988 UN Drug Convention. An extradition treaty is in force between the United States and Costa Rica. US law enforcement agencies work effectively with Costa Rican public security forces in counternarcotics and money laundering investigations.

The growth of Costa Rica's offshore sector—especially the rapid expansion of Internet gaming operations—and the absence of an effective regulatory and supervisory regime for it are causes for concern. The Government of Costa Rica (GOCR) should increase the resources necessary to implement its current anti-money laundering legislation. The GOCR also should increase its oversight of non-bank financial institutions. Moreover, the GOCR is urged to pass comprehensive anti-money laundering legislation that would expand the predicate offenses for money laundering to include all serious crimes. These measures would help Costa Rica protect its financial and offshore sectors from being abused by money launderers and other international criminals.

Côte d'Ivoire (Other). Côte d'Ivoire is an important regional financial center in West Africa. To the extent money laundering occurs, a significant portion relates to the proceeds of trafficking in narcotics, particularly heroin and cocaine. Money laundering is concentrated in the banking system and is controlled by organizations other than local traffickers.

Financial fraud is mostly limited to Nigerian-operated scams aimed at foreigners. Endemic smuggling of contraband does not generate funds sufficiently large enough to require laundering. Côte d'Ivoire is not an offshore financial center.

Laundering of money related to any criminal activity is a criminal offense. Banks are required to maintain records of large currency transactions and to report this data to the government. Banks are required to maintain the records necessary to reconstruct significant transactions through financial institutions. The government requires financial institutions to report suspicious transactions. Bankers' protection under the law is contingent on their cooperation with law enforcement entities. Money laundering controls are not applied to non-banking institutions.

Côte d'Ivoire has not addressed the problem of international transportation of illegal-source currency and monetary instruments although there are controls on the amount of currency that can be brought in and taken out. There were no arrests or prosecutions reported for money laundering in 2000.

Cote d'Ivoire's asset seizure and forfeiture law applies to both mobile and immobile property, including bank accounts and businesses used as conduits for money laundering. The Ivorian Government is the designated recipient of any narcotics-related asset seizures and forfeitures. It is not known whether legal loopholes exist to permit traffickers and others to shield assets. The law does not allow for civil forfeiture or for the sharing of assets with other governments. No recent changes have been made to the law and no new legislation is being considered.

Côte d'Ivoire does not take part in any international anti-money laundering fora. It is a party to the 1988 UN Drug Convention.

Croatia (Other). Croatia is not a regional financial or money laundering center. Much of the money laundering that does occur is related to financial crimes such as tax evasion and business-related fraud. The proceeds of narcotics trafficking tend to be laundered through the purchase of real estate, luxury goods, and automobiles.

In 1997, Croatia criminalized money laundering related to serious crimes. The legislation established reporting requirements for banks and non-bank financial institutions for transactions that exceed US \$17,500. It also

authorized establishment of a financial intelligence unit (FIU) within the Ministry of Finance. Croatia's FIU is a member of the Egmont Group. In 2000, Croatia's Parliament strengthened the country's penal code to ensure that all those indicted can be charged with the money laundering offense where applicable. Prior to this change, a person could not be charged with money laundering if the predicate offense carried a maximum penalty of fewer than five years in prison. The Government of Croatia (GOC) plans to introduce legislation in 2001 that will require banks to transmit data to supervising agencies electronically instead of by mail. The GOC also plans to establish a National Center for the Prevention of Corruption and Organized Crime within the State Prosecutor's Office.

Croatia does not have limitations on providing and exchanging information with international law enforcement on money laundering investigations. Croatia's anti-money laundering efforts are hindered by weak enforcement and a lack of adherence to the law.

Croatia is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Cuba (Other). Cuba is not an important regional financial center. The Government of Cuba (GOC) controls all financial institutions, and the Cuban peso is not a freely convertible currency. The GOC has not prosecuted any money-laundering cases since the National Assembly passed legislation in 1999 that criminalized money laundering related to trafficking in drugs, arms, or persons. The Cuban central bank has issued regulations that encourage banks to identify their customers, investigate unusual transactions, and identify the source of funds for large transactions. Cuba also has cross-border currency reporting requirements. Cuba has solicited anti-money laundering training assistance from the United Kingdom, Canada, France, and Spain.

Cuba is a party to the 1988 UN Drug Convention, and in December 2000 signed the UN Convention against Transnational Organized Crime.

Cyprus (Primary). Cyprus is a major regional financial center, and as such remains vulnerable to international money laundering activities. Russian organized crime, fraud, burglary and theft, are the major sources of illicit proceeds that are laundered in Cyprus. Credit card and bank card fraud also pose major problems for Cyprus. In 2000, the Financial Action Task Force (FATF) conducted a review of Cyprus's anti-money laundering regime against 25 specified criteria. Cyprus was not identified by the FATF as a non-cooperative country in the international fight against money laundering. However, the FATF in its June report raised a concern regarding customer identification in respect to all forms of trusts.

In 1996, the Government of Cyprus (GOC) passed the Prevention and Suppression of Money Laundering Activities Law. This law criminalized non-drug related money laundering; provided for the confiscation of proceeds from serious crimes; codified actions that banks and non-bank financial institutions must take, including customer identification; and mandated the establishment of a financial intelligence unit (FIU). Previously enacted legislation criminalized drug-related money laundering. A 1998 amendment to the 1996 anti-money laundering legislation extended the list of predicate offenses to include trafficking in women, terrorism, trafficking in human organs, attempted murder, and nuclear proliferation. The amendment also addressed government corruption, and facilitated the exchange of financial information with other FIUs, as well as the sharing of assets with other governments.

A law passed in 1999 criminalized the counterfeiting of bank instruments such as certificates of deposit and notes. In November 2000, the GOC further amended its 1996 money laundering law by eliminating the separate list of predicate offenses. This amendment, coupled with the central bank's guidance note to commercial banks reminding them of the importance of reporting any suspicious transaction to the FIU, may enable the Attorney General's office to increase the number of successful prosecutions for money laundering.

The GOC in January 1997 established its FIU, the Unit for Combating Money Laundering (UCML). The 14-member UCML is comprised of representatives from the Attorney General's Office, Customs, law enforcement, and support staff. The UCML's statutory authority directs it to evaluate evidence generated by its member organizations and other sources to determine if an investigation is necessary. The UCML also conducts anti-money laundering training for Cypriot police officers, bankers, accountants, and other financial professionals. In 2000, the UCML opened 123 cases and closed 142. The Unit issued 90 Information Disclosure Orders and froze \$3 million in assets. During 2000, recorded two convictions under the 1996 Anti-Money Laundering law, while five cases were pending at the end of the year.

The GOC places restrictions on foreign ownership of property and transportation of currency and bullion. Cypriot law requires that all cash entering or leaving Cyprus in the amount of US \$1,000 or greater must be declared. Declarations over US \$10,000 are sent directly to the Investigations Section of Cypriot Customs. All banks and non-bank financial institutions—insurance companies, stock exchange, cooperative banks, lawyers, accountants and other financial intermediaries—must report suspicious transactions to UCML. Banks are required to report cash deposits in excess of US \$10,000 to the central bank. A declaration form must accompany all foreign currency deposits. In 1998, the central bank instructed banks and financial institutions

to pay special attention to complex, unusually large transactions, and to report cumulative electronic funds transfers that exceed of US \$500,000 per month for a single customer. There are no statistics available on compliance with these regulations.

Cyprus's offshore sector includes 29 banks, 116 financial services companies, 20 companies that manage collective investment schemes, and 15 offshore trustee companies. The central bank has in place a strict regulatory framework aimed at preventing abuses within the offshore sector. Offshore banks are required to adhere to the same legal, administrative, and reporting requirements as domestic banks. The central bank requires that prospective offshore banks face a detailed vetting procedure to ensure that only banks from jurisdictions with proper supervision are allowed to operate in Cyprus. Offshore banks must have a physical presence in Cyprus and can not be brass plate operations. Once an offshore bank has registered in Cyprus, it is subject to a yearly on-site inspection by the central bank. Offshore banks in Cyprus may accept deposits and make foreign-currency denominated loans to residents of Cyprus if the resident has obtained an exchange control permit from the central bank.

There are approximately 47,000 international business companies (IBCs) registered in Cyprus; however, the central bank reported in June 1999 that only 12,000-14,000 of these companies filed mandatory annual reports. Only 1,057 have a physical presence in Cyprus. According to post reporting, Russian IBCs constitute a "significant" share of the total number of IBCs. The names of beneficial owners of IBCs can be released to law enforcement by court order and Cyprus does not permit bearer shares. The popularity of the offshore sector can be explained in part by the GOC's dual-tax treaties with 26 nations, including Russia. Profits of Cypriot offshore companies are taxed at a rate of only 4.25 percent. Moreover, there is no tax on dividends and foreign employees are required to pay only half the normal Cypriot income tax rate. IBCs may keep freely transferable currency accounts both abroad and in Cyprus. If an IBC is registered as an offshore partnership, profits are not taxed.

Cyprus is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Cyprus is a member of the Council of Europe's PC-R-EV, and is a member of the Offshore Group of Banking Supervisors. The UCML is a member of the Egmont Group. Cyprus and the United States have signed a Mutual Legal Assistance Treaty, but it is not yet in force. In 1997, the GOC entered into a bilateral agreement with Belgium for the exchange of information on money laundering.

In light of the GOC's stated commitment to combat money laundering, the central bank needs to continue to focus on meeting the increasing supervisory challenges of the offshore sector and on increasing the offshore sector's transparency. In particular, it should ensure that the identities of beneficial owners are easily accessible by law enforcement. In addition, the central bank should change its guidance note, which allows banks to open accounts for all forms of trusts without identifying the beneficial owner of the trust. The GOC should also take steps to ensure that all financial and non-financial institutions and entities report all suspicious transactions to the FIU, and thereby overcome commercial banks' reluctance to share information with the central bank.

(Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since then, the southern part of the country has been under the control of the Government of the Republic of Cyprus. The northern part is controlled by a Turkish Cypriot administration that in 1983 proclaimed itself the "Turkish Republic of Northern Cyprus" The US government recognizes only the Government of the Republic of Cyprus.)

It is more difficult to evaluate anti-money laundering efforts in the "Turkish Republic of Northern Cyprus" ("TRNC") but there continues to be strong evidence of a growing trade in narcotics between the "TRNC" and Turkey and Britain, as well as significant money laundering activities.

"TRNC" authorities have enacted a money laundering law for northern Cyprus, which went into effect in November 1999. The main thrust of the law was to reduce the amount of cash transactions in the "TRNC" as well as to improve the tracking of any transactions above US \$10,000. The law also provides for the creation of an experts committee to advise "TRNC" authorities on combating money laundering as well as for the seizure of assets.

The law is an adjunct to the "TRNC's" existing Exchange Control Law of 1997, which requires banks to report to the "Central Bank" any movement of funds in excess of \$100,000. Such reports must include information identifying the person transferring the money, the source of the money, and its destination. The law also proscribes individuals entering or leaving the "TRNC" from transporting more than US \$10,000 in currency. Under the new law, banks, non-bank financial institutions, and foreign exchange dealers must report all currency transactions over \$20,000 and suspicious transactions in any amount. Banks must follow a know-your-customer policy and require customer identification. Banks must also submit suspicious transactions to a central multi-agency committee that will function as an FIU and have investigative powers.

"TRNC" officials believe that its 24 essentially unregulated casinos are the primary vehicles through which

money laundering occurs. There is also an offshore sector, consisting of 40 banks and 12 IBCs. The offshore banks may not conduct business with "TRNC" residents and may not deal in cash. However, these banks are not audited and their records are not publicly available. Reportedly, a new law will restrict the granting of new bank licenses only to those banks already having licenses in an OECD country.

In spite of a growing awareness in the "TRNC" of the danger represented by money laundering, it is clear that "TRNC" regulations are far less stringent than those in the Republic of Cyprus are. The new law of the "TRNC" provides better banking regulations than were previously in force. The major weakness continues to be the "TRNC's" many casinos, where a lack of resources and expertise leave that area, for all intended purposes, unregulated, and therefore, especially vulnerable to money laundering abuse.

Czech Republic (Concern). The Czech Republic is vulnerable to money laundering because of geographic and economic factors. Narcotics trafficking, smuggling, auto theft, arms trafficking, tax fraud, embezzlement, racketeering, prostitution, and trafficking in illegal aliens are the major sources of funds that are laundered in the Czech Republic. Domestic and foreign organized crime groups target Czech financial institutions for laundering activity; banks, currency exchanges, casinos and other gaming establishments, investment companies, and real estate agencies have all been used to launder criminal proceeds.

Money laundering was criminalized in September 1995 through the addition of Articles 251 and 251a to the Czech Criminal Code. Although the Criminal Code does not explicitly mention money laundering, the criminal provisions apply to financial transactions involving the proceeds of all serious crimes. The Czech Republic's anti-money laundering legislation, Act No. 61/1996 Concerning Some Measures Against Legalization of Proceeds of Criminal Activity and Amending Legislation Thereto, became effective on July 1996.

Ministry of Finance Decree No. 183 formally established the Czech Republic's financial intelligence unit, the Financial Analysis Unit (FAU), and outlines how financial institutions are to comply with the reporting of unusual transactions. The FAU is a member of the Egmont Group.

The Czech Parliament has failed to pass legislation that completely eliminates anonymous passbook accounts. However, establishment of new anonymous accounts was prohibited beginning in mid-2000. Czech officials argue that the existing accounts are of limited use for money laundering because customer identification is required for deposits and withdrawals that exceed 100,000 Czech crowns (approximately US \$2,700).

The Czech Republic participates in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), and in 1998, underwent a mutual evaluation by the Committee. The Czech Republic plans to implement changes to its anti-money laundering regime based on the results of the mutual evaluation. The United States and the Czech Republic have a Mutual Legal Assistance Treaty, which entered into force in May 2000. The Czech Republic is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The Czech Republic is encouraged to pass legislation to adopt the suggestions of the PC-R-EV mutual evaluation report and to eliminate all anonymous passbook accounts.

Denmark (Other). Banking procedures in Denmark are transparent and are subject to government review, which discourages prospective money launderers and minimizes the likelihood of improper use of the banking system. Despite this, in response to a growing concern surrounding economic crimes in general, Denmark created the Serious Economic Crime Unit in 2000. The unit reports to the National Police Commissioner and consists of public prosecutors and police officers specifically trained in fighting economic crimes.

Money laundering is a criminal offense in Denmark. This applies to any type of money laundering, not just narcotics-related. Banks and other financial institutions are required to know, record and report the identity of customers engaging in significant transactions and maintain those records for an adequate amount of time. There are no secrecy laws in Denmark that prevent disclosure of financial information to competent authorities, and there are laws that protect bankers and others who cooperate with law enforcement authorities. Denmark has cooperated fully with US authorities with regards to money laundering investigations.

Denmark has regulations in place that ensure the availability of adequate records in connection with narcotics investigations. Denmark is a party to the 1988 UN Drug Convention and in December 2000 it signed the United Nations Convention against Transnational Organized Crime. It participates in European Union anti-money laundering efforts, and its financial intelligence unit (FIU) takes part in the Egmont Group of FIUs. Denmark has endorsed the 1997 Basle Committee Core Principles for Effective Banking Supervision. Denmark is also a member of the Financial Action Task Force (FATF).

Dominica (Primary). Like many Caribbean jurisdictions, Dominica has sought to attract offshore dollars by offering a wide range of financial services and promises of confidentiality, low fees, and minimal government oversight. A rapid expansion of this sector without proper supervision has made Dominica attractive to international criminals, and has prompted public criticism from international organizations.

Dominica has greatly expanded its offshore services in the past several years, and offers offshore banks, international business companies (IBCs), exempt insurance, and exempt trusts. The International Exempt Trust Act 1997 allows establishment of Asset Protection Trusts that greatly restrict seizure, expropriation, or confiscation of assets by foreign authorities. Dominica also offers Internet gaming and rapid processing of Internet gaming license applications. IBCs can be registered on-line within 24 hours and using bearer shares, providing complete anonymity for the beneficial owners. In 1999, Dominica's Ministry of Finance (MOF) reported that since the establishment of its offshore sector, Dominica had incorporated 5,800 IBCs, six offshore banks, six exempt trusts, and 20 Internet gaming companies. By December 2000, Dominica's successful marketing of IBCs had increased the number to approximately 6,600. In addition to its marketing duties, the MOF's International Business Unit grants licenses and supervises the offshore sector, thereby violating the Basle Core Principles for Effective Banking Supervision.

For the past several years, as part of its offshore services, Dominica has offered economic citizenship, a program that enables individuals to acquire Dominican citizenship, a passport, and possibly a new name in exchange for a direct payment of US \$50,000 or government bonds worth US \$75,000. This process has been loosely regulated, and Government of Dominica (GOD) officials appear not to have maintained adequate control of the program. Between 1996 and 2000, the GOD issued approximately 500 economic citizenships. The program has come under fire as a means for individuals from the Peoples' Republic of China (PRC) and other foreign countries to become Dominican citizens and enter the United States via Canada without visas. One widely reported case involved a group of 11 PRC nationals who tried to enter Canada on Dominican passports after spending only one month in Dominica. Upon taking office in January 2000, Prime Minister (PM) Roosevelt Douglas suspended passport sales, but in April 2000, reversed his decision. In August 2000, the GOD claimed to have suspended the program in the face of international pressure—in particular, the Government of Canada threatened to impose visa requirements on Dominican passport holders. The GOD indicated that in the first quarter of 2000 it had earned approximately US \$1.9 million from sales of passports. The future of this program remains in question following the recent death of PM Douglas.

The Eastern Caribbean Central Bank (ECCB) supervises Dominica's five domestic banks, and has issued guidance notes against money laundering. However, these guidance notes do not have the force of law. In February 2000, the GOD announced that supervision of the offshore sector also would be transferred to the ECCB. However, it is unclear how this supervisory arrangement will function.

In June 2000, the Financial Action Task Force (FATF) identified Dominica as noncooperative in international efforts to combat money laundering. The FATF in its report noted:

Dominica has outdated proceeds of crime legislation, which lacks many features now expected, and very mixed financial services legislation currently on the books. In addition, company law provisions create additional obstacles to the identification of ownership. The offshore sector in Dominica appears to be largely unregulated although it is understood that responsibility for its regulation is to be transferred to the Eastern Caribbean Central Bank.

The US Department of Treasury has also issued an advisory to US financial institutions warning them to "give enhanced scrutiny" to financial transactions involving Dominica.

In response to the FATF report, the GOD has taken a number of steps to improve its anti-money laundering regime. In July 2000, the Finance Minister announced a comprehensive review of all offshore banks and the establishment of an Offshore Financial Services Council (OFSC). In December 2000, the OFSC issued guidelines for processing offshore banking licenses and administrative procedures for supervising offshore bank and trust companies.

In January 2001, the Dominican Government brought into force new legislation to strengthen its anti-money laundering regime: The Money Laundering (Prevention) Act of 2000, The International Business Corporation (Amendment) Act of 2000, The International Exempt Trust (Amendment) Act of 2000, The Exempt Insurance (Amendment) Act of 2000, and The Offshore Banking (Amendment) Act of 2000.

The Money Laundering (Prevention) Act (MLPA) of 2000 expands the predicate offenses for money laundering beyond drug trafficking and allows regulators to inspect the financial transactions of offshore entities. The MLPA establishes a Money Laundering Supervisory Authority (MLSA) that will issue guidelines to financial institutions and scheduled activities under the Act. The MLPA also requires a wide range of financial institutions—including offshore institutions—to report suspicious transactions to the MLSA, which will then send the reports to the Financial Intelligence Unit (FIU). Moreover, the MLPA requires persons to report and cross-border movements of currency that exceed US \$10,000 to the FIU. The FIU will analyze these reports, forward appropriate information to the Director of Public Prosecutions, and liaison with other jurisdictions on financial crimes cases.

In addition, the other legislative changes should strengthen the GOD's regulation of its offshore sector. The International Business Corporation (Amendment) Act of 2000 reportedly requires accountants and financial

institutions to maintain the names and addresses of the owners of bearer shares and track subsequent transfers of ownership. The Offshore Banking (Amendment) Act of 2000 reportedly requires banks to know the beneficial owners of all accounts.

Dominica criminalized money laundering related to drug trafficking through the Proceeds of Crime Act (POCA) of 1993. The POCA required financial institutions to maintain records related to the opening and closing of accounts, and of all transactions equal to or greater than Eastern Caribbean (EC) \$5,000 (approximately US \$1,900) for a minimum of seven years. The POCA also authorized banks to report transactions to the police or the Director of Public Prosecutions if the bank had reasonable grounds to suspect that the transaction was related to an offense. The POCA, however, did not mandate suspicious transactions reporting, and its provisions applied only to domestic institutions. The GOD has not prosecuted anyone for money laundering.

Dominica is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Dominica is also a member of the Caribbean Financial Action Task Force (CFATF). In May 2000, a Mutual Legal Assistance Treaty with the United States entered into force. Dominica is a party to the 1988 UN Drug Convention.

The GOD should fully implement and enforce the provisions of the MLPA and other recently enacted legislation; provide additional resources for regulating offshore entities; and establish the FIU in order to coordinate its own anti-money laundering efforts, as well as cooperate with foreign authorities. Such measures will help protect Dominica's financial system from further abuse by international criminals, and help avoid possible additional sanctions by the international community.

Dominican Republic (Primary). The Dominican Republic has financial institutions that engage in currency transactions involving international narcotics proceeds that include significant amounts of US dollars. The Dominican Republic is a burgeoning commercial exporter, and in 2000, remittances to the Dominican Republic from abroad were approximately US \$1.7 billion. The Dominican Republic is a transshipment point for narcotics destined for the United States and Europe, and is vulnerable to narcotics-related money laundering. The primary methods for moving illicit funds from the United States to the Dominican Republic include smuggling bulk cash by couriers and wire transfer remittances. Dominican banks and casinos also are used to launder funds. However, currency exchange houses and money remitters remain the primary mechanisms for laundering money.

The Government of the Dominican Republic (GODR) has taken steps to address money laundering. The GODR has enacted laws that criminalize money laundering related to narcotics trafficking, and allows preventative seizures and criminal forfeiture of drug-related assets. The legislation also authorizes international cooperation in forfeiture cases.

In 1996, the GODR issued Decree No. 288-96, which requires financial institutions such as banks, currency exchange houses, casinos, and stock brokers to record currency transactions equal to or greater than the equivalent of US \$10,000 in either domestic or foreign currency. Financial institutions are required to make this information available to law enforcement upon request. The Decree also obligates financial institutions to identify customers and report suspicious financial transactions (STRs), and designates the Superintendency of Banks as the recipient of STRs.

In 1997, the GODR established the Financial Analysis Unit (FAU) within the Superintendency of Banks. The FAU analyzes and disseminates STRs to the Financial Investigative Unit (FIU) within the National Drug Control Directorate (DNCD). The FAU has supervisory and information gathering authority over all financial institutions. The FIU investigates narcotics-related money laundering, and has authority to compel cooperation from other GODR agencies. In 1998, the GODR passed legislation that allows extradition of Dominican nationals on money laundering charges.

During 2000, the GODR authorities confiscated \$82,749 in US currency, \$88,632 in Dominican currency, ninety-six vehicles, and twenty residential and business properties linked to narcotics trafficking. However, there has never been a successful money laundering prosecution. In 2000, the GODR proposed legislation that would expand the predicate offenses for money laundering beyond drug trafficking to other serious crimes such as arms trafficking; trafficking in humans or human organs; kidnapping; extortion; car theft; forgery of currency, bills, or securities; illicit enrichment; embezzlement; and bribery. The legislation also would require financial institutions to report to the FAU cash transactions that are greater than or equal to the equivalent of US \$10,000 in domestic or foreign currency. Moreover, the legislation will require individuals to declare cross-border movements of currency that are greater than or equal to the equivalent of US \$10,000 in domestic or foreign currency. The Dominican Republic's legislature is expected to pass this legislation in early 2001.

The FAU is a member of the Egmont Group, and is authorized to exchange information with other financial intelligence units. The GODR is an active member of the Caribbean Financial Action Task Force (CFATF), and the Organization of American States Inter-American Commission on Drug Abuse Control (OAS/CICAD) Experts Group to Control Money Laundering. The Dominican Republic is a party to the 1988 UN Drug Convention, and

in December 2000, signed the UN Convention against Transnational Organized Crime. The GODR cooperates with the US Government on counternarcotics and fugitive matters.

The GODR should quickly enact its proposed anti-money laundering legislation, and continue to develop a financial regulatory system that is consistent with international standards. Moreover, the Superintendency of Banks and the DNCD are encouraged to improve the flow of information between their organizations.

Ecuador (Concern). Ecuador is vulnerable to money laundering because of its proximity to drug-producing countries, its adoption of the US dollar as legal tender, and its ineffective oversight of the banking system. The GOE has no controls on cross-border movements of currency, and regulation of currency exchange businesses is weak. These factors most likely will make Ecuador an increasingly attractive venue for placing illicit currency into the international financial system. Several Ecuadorian banks also maintain offshore offices. Although these institutions have come under tighter control as a result of banking legislation passed in 1994, they continue to be used to channel funds through Ecuador.

Narcotics-related money laundering was criminalized through the 1990 Narcotics and Psychotropic Substance Act (No. 108). The Act requires financial institutions to report to the National Drug Council (CONSEP) large transactions in cash or stocks. The Government of Ecuador (GOE) in 1999 implemented electronic reporting of this information. However, a contradictory legal framework continues to place severe constraints on the information that financial institutions can release to law enforcement. The Banking Procedures Law limits the release of information on private bank accounts to the Superintendency of Banks, and the Criminal Defamation Law imposes sanctions on banks and other financial institutions that provide account information to law enforcement or advise law enforcement of suspicious transactions.

As a result of these conflicting laws, the Ecuadorian National Police (ENP) must obtain a court order to search for and obtain financial information from banks. However, banks, as a matter of practice, do not honor such orders, and claim that banking regulations make them answerable only to the Superintendency of Banks (SOB). Furthermore, the SOB will not accept requests for information directly from the ENP, but instead requires the request be handled through the CONSEP. Similarly, the ENP is not able to obtain information on private corporations from the Superintendency of Companies or information on stock market transactions from the Ministry of Finance. The GOE has not yet taken forceful efforts to remedy such limitations on the sharing of information, and as a consequence, has not conducted a serious money laundering investigation in the past five years.

The ENP has a financial investigation unit that recently received additional personnel and US-sponsored financial investigation training. The CONSEP also has a financial unit, and the SOB is considering establishment of one.

Ecuador is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Ecuador is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the South American Financial Action Task Force (GAFISUD).

The GOE must revise its financial secrecy laws to encourage reporting by financial institutions, and eliminate any conflicts that prevent the sharing of information between financial institutions and law enforcement. Moreover, the GOE should take immediate steps to improve bank oversight in the wake of dollarization, and pass legislation establishing cross-border currency reporting requirements. The GOE also is encouraged to establish a joint financial-investigative task force in order to foster better interagency working relationships.

Egypt (Concern). Egypt is not considered a major financial center, and does not have an offshore sector. Moreover, Egypt does not have a significant black market. Most of the illicit funds that are laundered in Egypt are the proceeds of drug trafficking, organized crime, and terrorism. Narcotics-related money laundering usually involves investment in real estate or business ventures. In a typical scheme, a money launderer will invest through an intermediary, usually a relative or a trusted friend. Egyptian money launderers rarely use the banking system because of their cultural mistrust of banks and fears that banking records—despite Egypt's secrecy laws—could provide authorities with incriminating information.

Egypt does not have customer identification requirements or reporting requirements for financial institutions. Presidential Decree Law No. 205 of 1990, concerning the secrecy of bank accounts, states that "all accounts, deposits, trusts, and safes" in banks are to be "maintained secret." No access is to be allowed, or any information to be divulged, except with the written permission of the account's owner or agent. This prohibition remains in force after the banking relationship is terminated. The identities of account owners are known only to bank officials; the only exception is that the Egyptian Attorney General may seek from the Cairo Court of Appeal access to account information when there is "serious" proof that a felony or misdemeanor has been committed. The Egyptian Anti-Narcotics General Authority (ANGA), which maintains a unit that investigates financial crimes related to narcotics trafficking, states that bank authorities cooperate fully with law enforcement when such a court order is obtained, and that the records are adequate for a thorough

investigation.

The Egyptian Parliament continues to consider passage of anti-money laundering legislation. However, the specifics of this legislation are not known at this time. Absent anti-money laundering laws, prosecutors have made use of a 1971 law, the Law of the Socialist Prosecutor, that targets individuals who have made money through any illegal activity. The law enables prosecutors to impound for a maximum of five years cash and property that belongs to the accused and the accused's immediate family. The highest Egyptian criminal court, the Court of Ethics, determines whether the impounded property was obtained as a result of illegal activity and should be forfeited. Forfeited assets go directly to the Egyptian treasury.

The United States and Egypt signed a Mutual Legal Assistance Treaty in May 1998, which is expected to enter into force in 2001. Egypt is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Crime.

Egypt should move swiftly to pass, implement, and enforce comprehensive new anti-money laundering legislation that is consistent with international standards in order to protect its growing economy from abuse by criminals.

El Salvador (Concern). El Salvador has one of the largest banking systems in Central America; its banks maintain important financial contacts with those of neighboring countries, Mexico, the Caribbean, and the United States. El Salvador does not have an offshore sector. The growth of El Salvador's financial sector and the increase in narcotics trafficking in the region continue to make it vulnerable to money laundering. In addition, the Government of El Salvador's (GOES) decision in November 2000 to dollarize its economy—dollars will be permitted to freely circulate beginning in January 2001—increases the risk of money laundering.

The GOES in 2000 made considerable progress in implementing its 1998 "Law Against Laundering of Money and Assets." The Unidad de Investigación Financiera (UIF), the financial investigation unit within the Attorney General's Office, and separate anti-money laundering units within the Policía Nacional Civil (PNC) and the central bank enforce the law's provisions. The legislation criminalizes money laundering related to drug trafficking and any other criminal activity. Financial institutions such as banks, exchange companies, stock exchanges, insurance companies, credit card companies, casinos, and real estate companies must identify their customers, maintain records for a minimum of five years, train personnel in money and asset laundering, and establish internal auditing procedures. Covered institutions also must report suspicious transactions and transactions that exceed 500,000 colones (approximately US \$57,000) to the UIF. Although a provision of this law provides for asset identification and seizure, asset sharing with non-Salvadoran agencies has not yet been approved.

In 2000, the GOES—in particular, the office of the Attorney General—worked closely with US Government agencies such as the Department of Treasury to develop and implement the UIF. The UIF has been operational since January 2000, and officially opened its new, modernized facilities in December 2000. The UIF currently is comprised of six individuals—three prosecutors (fiscales), one analyst, one computer technician and one secretary. The UIF has received approximately 100 reports of suspicious activities; opened 48 investigations that have resulted in two asset seizure actions; and begun judicial proceedings in three cases. The GOES has arrested several persons on charges of money laundering and counterfeiting.

The UIF has prepared draft regulations that would lower the threshold for filing currency transactions reports to US \$20,000, and is seeking ways to tighten regulation of casinos and exchange houses. The US Government is working with the GOES to establish a Money Laundering Working Group that will improve information sharing, and in light of the GOES' decision to dollarize, will seek to provide specialized money laundering training to a broader spectrum of Salvadoran law enforcement and banking officials.

The UIF has applied for membership in the Egmont Group, and in January 2001, will participate in the Egmont Group's first training course. El Salvador is party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. El Salvador is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering.

The GOES is encouraged to continue building upon the progress that it has made in implementing its anti-money laundering measures, and demonstrate that it is a regional leader in the fight against money laundering and financial crime. In particular, the GOES is urged to implement draft regulations that would lower the threshold for reporting currency transactions.

Eritrea (Other). Eritrea has a poorly developed financial system; there are no reports of money laundering. Eritrea is not a party to the 1988 UN Drug Convention.

Estonia (Other). Estonia has one of the most developed banking systems of the former Soviet Union. Estonia permits credit institutions to participate in a variety of activities such as leasing, insurance, and securities. Russian organized crime groups are suspected of using financial institutions in the Baltic countries to launder

money.

In 1999, Estonia implemented anti-money laundering legislation, and established the Information Bureau (IB) and a separate police unit to fight money laundering. Estonia's legislation requires financial institutions to report suspicious or unusual transactions to the IB. The reporting thresholds are: the equivalent of approximately US \$11,000 for non-currency transactions; and the equivalent of approximately US \$5,500 for currency transactions. However, Estonia has no formal system for ensuring that financial institutions comply with the reporting requirements. Moreover, the IB lacks authority to compel banks to disclose additional information.

More than 50 investigations have been opened based on reports of suspicious or unusual transactions. The anti-money laundering police unit recently initiated its first criminal anti-money laundering case against an employee of a credit institution who did not comply with reporting requirements. In November 2000, Estonia, along with other Baltic countries, signed a protocol that places special emphasis on the exchange of information related to organized crime, drug trafficking, and smuggling.

Estonia is a member of the Council of Europe (COE) Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). A COE delegation in 2000 visited Estonia to review its anti-money laundering regime. The IB is a member of the Egmont Group. Estonia became a party to the 1988 UN Drug Convention in July 2000, and in December 2000, signed the UN Convention against Transnational Organized Crime. A Mutual Legal Assistance Treaty between the United States and Estonia entered into force in October 2000.

Ethiopia (Other). Money laundering is not considered to be a problem in Ethiopia. Its underdeveloped financial infrastructure and lack of economic development make it unlikely that it will become a financial center of any type in the foreseeable future. The banking sector is small and has no links to the international financial community.

Ethiopia has no anti-money laundering legislation in place. It is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized crime.

Fiji (Other). There are no reports of money laundering in Fiji. Money laundering is criminalized under the Proceeds of Crime Act, 1997. In addition, the Reserve Bank of Fiji has issued anti-money laundering guidelines to licensed financial institutions that require them to develop programs and procedures for customer identification, record-keeping, and the monitoring and reporting of suspicious financial transactions. These guidelines are to come into effect 1 January 2001.

There is no formal agreement between Fiji and the United States for cooperation on law enforcement matters or mutual legal assistance; however, Fiji has responded positively to all such requests from the United States.

Fiji is a party to the 1988 UN Drug Convention. Fiji is a member of the Asia/Pacific Group on Money Laundering, a regional FATF-style anti-money laundering body.

Finland (Other). Finland is not a regional financial or money laundering center. However, Finnish authorities are concerned about possible money laundering by Russian organized crime, and money laundering arising from fraud and other economic crimes.

In 1994, Finland enacted legislation criminalizing money laundering related to narcotics trafficking and other serious crimes. Legislation enacted in 1998 compels financial institutions and most non-bank financial institutions-excluding accountants and lawyers-to report suspicious transactions. The number of suspicious transactions reports (STRs) appear to be on the rise: the Finnish police in 1999 investigated 348 STRs, but reported 255 investigations in the first six months of 2000 alone. (Final statistics for 2000 were unavailable for inclusion in this report.) In 1999, narcotics-trafficking was the predicate offense for 13 percent of money laundering convictions.

Finland in 1998 established a financial intelligence unit, the Money Laundering Clearing House (MLCH), to receive STRs from financial institutions. The MLCH is a member of the Egmont Group.

Finland is a member of the Financial Action Task Force and the Council of Europe. Finland is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

France (Primary). France remains an attractive venue for money laundering because of its large economy, strong currency, political stability, central location, and sophisticated financial system. Common methods of laundering money in France include the use of bank deposits, foreign currency and gold bullion transactions, corporate transactions, and purchases of real estate, hotels, and works of art. France has enacted legislation that codifies the FATF Forty Recommendations concerning customer identification, record keeping requirements, suspicious transaction reporting, internal anti-money laundering procedures, and training for financial institutions.

France criminalized money laundering related to all crimes with the adoption of Act No. 93-392 of 13 May 1996, "On the Fight against Money Laundering, Drug Trafficking and International Cooperation in Respect of Seizure and Confiscation of the Proceeds of Crime." Prior to passage of this Act, the French Penal Code and the French Customs Code only criminalized money laundering related to narcotics trafficking and other serious crimes. Even though Act No. 93-392 made money laundering in itself a general offense, some French courts do not allow joint prosecution of individuals on both money laundering charges and the underlying predicate offense because judges in those courts consider money laundering and the predicate crime to be the same offense.

France's financial intelligence unit, the Treatment of Information and Action Against Clandestine Financial Circuits (TRACFIN), is responsible for analyzing suspicious transaction reports (STRs) that are filed by French financial institutions. TRACFIN is a member of the Egmont Group, and may exchange information with foreign counterparts that observe similar rules regarding confidentiality of information. TRACFIN is establishing and leading France's Liaison Committee against the Laundering of the Proceeds of Crime. This committee will be comprised of representatives from reporting professions and institutions, regulators, and law enforcement authorities. In September 2000, TRACFIN hosted a regional workshop on Money Laundering and the Euro Changeover.

In 2000, the Government of France (GOF) proposed additional anti-money laundering measures:

- * Casino directors and managers, high-value goods dealers, and eventually, gatekeepers such as accountants and independent legal professions would have to report suspicious transactions directly to TRACFIN.

- * Financial institutions would automatically report to TRACFIN certain financial transactions such as those involving jurisdictions identified as noncooperative in the international fight against money laundering by the Financial Action Task Force (FATF).

- * Public authorities at the state and local level would be able to send money laundering related information directly to TRACFIN.

France is a member of the FATF and the European Union, and a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force. France is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. France and the United States in December 1998 signed a Mutual Legal Assistance Treaty, which is expected to enter into force in 2001. TRACFIN has information-sharing agreements with Austria, Italy, the United States, Belgium, Monaco, Spain, the United Kingdom, Argentina, Mexico, the Czech Republic, and Portugal.

France has established a comprehensive anti-money laundering regime. The GOF should further enhance it by adopting pending legislation that would expand suspicious transaction reporting requirements.

Georgia (Other). Georgia is not an important regional financial center, and its economy is too small to cover large flows of illicit foreign funds. Commercial banks are small but capable of clearing and transferring funds electronically. Small-scale money laundering schemes involve funds generated domestically through illegal activities, most of which are not connected with narcotics. Reportedly, some commercial banks have become involved in laundering funds generated by the smuggling of alcohol and cigarettes, but these proceeds are generally held in dollars outside the banking system. Although corruption is an issue in Georgia, no government official has been publicly linked to money laundering. The National Bank of Georgia (the central bank) plays a growing role in regulating the banking industry.

Georgia's new criminal code became effective in June 2000. Although it does not criminalize money laundering, it does make it a crime to "transform illegal money into legal income" or to conceal the source, location or owner of property acquired illegally. Violators are subject to imprisonment. No requirement exists to report suspicious transactions, and there are no legal safeguards to protect banks and other financial institutions that cooperate with law enforcement agencies. Georgian law enforcement agencies have not investigated commercial banks or other businesses for possible involvement in money laundering. There are no controls on the amount of money that may be brought into the country. The money-laundering controls that do exist are not applied to non-bank financial institutions. Most financial transactions in Georgia are conducted in cash.

USAID provides both technical assistance and training to the Georgian tax inspectorate in support of improvements in tax policy and regulation, such as the ability to identify underreporting of income, including questionable gains from illegal sources. The Constitutional Court, however, has declared asset forfeiture and seizure legislation to be unconstitutional.

Georgia is a party to the UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Germany (Primary). Germany has the largest economy in Europe and a well-developed financial services

industry. Russian organized crime groups, the Italian Mafia, and Albanian and Kurdish drug trafficking groups continue to launder money through German banks, currency exchange houses, business investments, and real estate.

The Government of Germany (GOG) in 1992 criminalized money laundering related to drug trafficking, fraud, forgery, and embezzlement. In November 1993, the GOG enacted the Money Laundering Act. This legislation imposes due diligence and reporting requirements on financial institutions, such as obtaining customer identification for transactions exceeding deutsche marks (DM) 30,000 (approximately US \$14,500) that are conducted in cash or precious metals, and maintaining records necessary to reconstruct transactions of DM 30,000 or more. In addition, German banks are legally obligated to report suspicious transactions to state authorities. To assist in this process, the GOG established a central database to record these suspicious transactions. The database became operational in June 2000. Each state is responsible for ensuring that suspicious transactions reports (STRs) are entered into the database.

Since 1998, money transmitters have been required to be licensed and supervised by the Federal Banking Supervisory Office, which has issued anti-money laundering guidelines to the industry. Germany also has a law, which entered into force in 1998, that gives border officials the authority to compel individuals to declare imported currency of DM 30,000 or more.

The GOG has 12 Joint Financial Investigations Groups (JFIGs), comprised of customs and police officials, that are located in 11 cities throughout Germany. The JFIGs analyze and investigate STRs that have been filed by German banks. The US Customs Service maintains a liaison relationship with several of these units, and initiates joint investigations when suspicious financial transactions involving the United States are identified. These investigations often are related to fraud rather than narcotics trafficking. Although one of the JFIGs has participated in Egmont Group activities, the JFIGs are not considered FIUs and are not members of the Egmont Group.

The GOG has established procedures to effectively enforce its asset seizure and forfeiture law. The number of asset seizures and forfeitures remains low because of the high burden of proof that prosecutors must overcome in such cases. German law requires a direct link to drug trafficking before seizures are allowed. German authorities cooperate with US efforts to trace and seize assets to the extent that German law allows, and the GOG investigates leads from other nations. However, German law does not allow for sharing forfeited assets with other countries.

The GOG cooperates fully with the United States on anti-money laundering initiatives, even though it does not have a Mutual Legal Assistance Treaty with the United States. The GOG exchanges information through bilateral law enforcement agreements such as the Customs Mutual Assistance Agreement.

Germany is a member of the Financial Action Task Force, the European Union, and the Council of Europe. Germany is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The GOG has taken an important step in developing a centralized database for recording suspicious transactions. However, Germany is encouraged to develop a centralized reporting unit that would further enhance the effectiveness of this system.

Ghana (Other). Ghana is not a regional financial center. However, non-bank financial institutions such as foreign exchange bureaus are suspected of being used to launder the proceeds of drug trafficking, and the illegal trade in diamonds and gold. In addition, donations to religious institutions allegedly have been used as a vehicle to launder money.

Ghana has criminalized money laundering related to drug trafficking and other serious crimes. However, financial institutions are not required to report large cash transactions. Law enforcement can compel disclosure of bank records for drug-related offenses, and bank officials are given protection from liability when they cooperate with law enforcement investigations. Ghana has cross-border currency reporting requirements. Moreover, the attorney general may require disclosure of assets sent out of the country.

The Government of Ghana in 2000 made no arrests or prosecutions related to money laundering. In April 2000, the US Government organized and financed a two-week anti-money laundering seminar in Accra. The seminar was organized in cooperation with the West African Institute for Financial and Economic Management (WAIFEM), and bankers from Ghana and four other West African countries were in attendance.

Ghana took part in the formation of the Inter-Governmental Action Group Against Money Laundering (GIABA) at the November 2000 meeting of the Economic Community of West African States (ECOWAS) in Dakar. Ghana is a party to the 1988 UN Drug Convention. Ghana has bilateral agreements for the exchange of money laundering-related information with the United Kingdom, Germany, Brazil, and Italy.

Gibraltar (Concern). Gibraltar is a largely self-governing, dependent territory of the United Kingdom, which

assumes responsibility for Gibraltar's defence and international affairs. Gibraltar's offshore sector remains vulnerable to money laundering.

The Financial Services Commission (FSC) is responsible for regulating and supervising Gibraltar's financial services industry. It is obliged statutorily under its founding ordinance to match UK supervisory standards. Both onshore and offshore banks have the same legal and supervisory requirements. Gibraltar has 21 banks—11 of which are incorporated in Gibraltar—and all except for one are subsidiaries of major international financial institutions. The FSC also is responsible for overseeing the activities of the GOG offshore sector in the areas of trust and company management companies, insurance companies, collective investment schemes, and the formation of IBCs (of which there were 8300 registered by June 2000). Internet gaming is permitted by the GOG.

The Drug Offences Ordinance (DOO) of 1995 and Criminal Justice Ordinance of 1995 criminalize money laundering related to all crimes and mandate reporting of suspicious transactions by entities such as banks, mutual savings companies, insurance companies, financial consultants, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, charities, lotteries, car dealerships, yacht brokers, company formation agents, dealers in gold bullion, charities, and political parties.

In 1996, Gibraltar established its financial intelligence unit (FIU), the Gibraltar Coordinating Centre for Criminal Intelligence and Drugs (GCID). The GCID is comprised primarily of police and customs officers, but is independent of law enforcement. The GCID receives, analyzes, and disseminates information on financial disclosures filed by institutions covered by the provisions of Gibraltar's anti-money laundering legislation. The GCID has applied to join the Egmont Group.

In 2000, the Financial Action Task Force (FATF) conducted a review of Gibraltar's anti-money laundering regime against 25 specified criteria. Gibraltar was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report raised certain concerns about Gibraltar's anti-money laundering regime:

Gibraltar...[has] in place a system for reporting suspicious transactions. Where the underlying criminal conduct is drug trafficking or terrorism, the obligation to report is a direct one. Where the underlying criminal conduct is another predicate offence, the reporting is an "indirect obligation"—failure to make a report potentially leaves one open to a charge of money laundering; making a report is a defence against such a charge...

Gibraltar...[allows] certain intermediaries, and individuals, which are subject to the same anti-money laundering standards and supervision as financial institutions, to introduce business to banks and financial institutions on the basis that the introducers themselves verify the identity of the customer. In addition, the jurisdiction allows certain institutions based in certain overseas countries, subject to equivalent anti-money laundering systems, to introduce business, without separately verifying the identity of the client. Banks and other financial institutions in Gibraltar...are only required to know the name of the client but not to verify the identity separately. There is concern as to whether such a system is consistent with FATF Recommendations and provides sufficiently rigorous checks on the identity of clients of banks and financial institutions, especially in cases where the introducer is not a financial institution...

The lack of a stringent scheme to apply the new rules of customer identification for accounts opened prior to their entry into force is also a source of concern. The new rules for customer identification verification were introduced in Gibraltar in 1995...

In response to the issues raised by the FATF in its June 2000 report, the GOG issued revised Guidance Notes pertaining to eligible introducers and anti-money laundering.

The Mutual Legal Assistance Treaty between the United States and the United Kingdom has not been extended to Gibraltar. However, the DOO of 1995 provides for mutual legal assistance with foreign jurisdictions on matters related to drug trafficking and related proceeds. Gibraltar has indicated its commitment, as part of the EU decision on its participation in certain parts of the Schengen acquis, to update mutual legal assistance arrangements with the EU and Council of Europe partners. Gibraltar has adopted EU Money Laundering Directive 91/308. The United Kingdom has not extended the application of the 1988 UN Drug Convention. Gibraltar is a member of the Offshore Group of Banking Supervisors.

The GOG took an important step in developing a centralized database for recording STRs. However, the GOG should develop a centralized reporting unit to further enhance the efficiency and effectiveness of their system. The GOG is urged to fully address the issues raised by the FATF in the June 2000 report.

Greece (Primary). The economy of Greece is vulnerable to money laundering related to drug trafficking, prostitution, arms smuggling, blackmail, and illicit gambling activities that are conducted by Russian and Albanian criminal groups. There have been reports in the Greek press of substantial money-laundering activity in Greece. Casinos are particularly susceptible to money laundering because of weak requirements for disclosing sources of foreign capital. Greece has five private and two state-owned casinos. Moreover, Greek

authorities report that the cross-border movement of illicit currency and monetary instruments remains a problem.

In 1995, the Government of Greece (GOG) enacted anti-money laundering legislation, Prevention and Combating the Legalization of Income Derived from Criminal Activities, which criminalizes money laundering related to all crimes. The Bank of Greece is authorized to cooperate fully with EU central banks in matters relating to money laundering. The legislation also requires that banks and non-bank financial institutions file suspicious transaction reports (STRs) with Greece's financial intelligence unit, the Competent Committee (CC). The CC is a member of the Egmont Group, and is chaired by a senior judge with representatives from various government ministries, the central bank, and the stock exchange. STRs that merit further investigation are forwarded to the Financial Crimes Enforcement Unit (SDOE), a multi-agency group that functions as the CC's investigative arm. The CC is responsible for preparing money-laundering cases on behalf of the public prosecutor's office. The CC works with Interpol on investigations outside Greece. Greek law enforcement reportedly is investigating several money laundering cases. However, few of the cases have reached the public prosecutor's office.

Banks and brokerage firms must require identification from customers—internal identification documents or passports—when opening accounts or conducting transactions that exceed EUR 15,000 (approximately US \$16,000). Greek citizens must provide a tax registration number in order to conduct exchanges of foreign currency that are equal to or greater than EUR 1,000 (approximately US \$950), and proof of compliance with tax laws in order to conduct exchanges of foreign currency that are equal to or greater than EUR 10,000 (US \$9,400).

Greece is a member of the Financial Action Task Force (FATF), the European Union, and the Council of Europe. Greece is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The GOG should extend and implement suspicious transaction reporting requirements for gaming and stock market transactions, and is urged to adopt more rigorous standards for casino ownership or investments.

Grenada (Primary). Money laundering and other financial crimes are concerns in Grenada because of the Government of Grenada's (GOG's) rapid and relatively unsupervised venture into providing offshore services. Although the GOG has taken some legislative steps toward building a comprehensive anti-money laundering regime, the measures thus far have proved inadequate as evidenced by the scandal surrounding the collapse in 2000 of the First International Bank of Grenada, a licensed offshore bank.

Like many other Caribbean jurisdictions, the GOG has tried to raise revenue by luring offshore dollars through promises of low fees, banking and corporate secrecy, and minimal supervision. Since 1996, the GOG has raised approximately US \$6 million through its offshore sector. In 1996, the GOG enacted the Offshore Banking Act, the Offshore Insurance Act, and the Company Management Act. The Minister of Finance reviews applications and issues licenses for offshore banks. Grenada amended its International Companies Act in 1996 to permit issuance of bearer shares. Through the International Trust Act 1996, Grenada allows formation of asset protection trusts, which hinder seizure of assets by foreign authorities. Grenada's International Betting Act 1998 provides for licensing of international gaming companies. As of 1999, the GOG had granted licenses for 16 offshore banks and six Internet gaming companies. Press reports indicate that approximately 2,200 International Business Companies (IBCs) have been formed in Grenada.

The Grenada Citizenship Amendment Act of 1997 enables foreign nationals to purchase citizenship for a family of five for approximately US \$40,000. The Act does not impose a residency requirement. Moreover, new citizens can legally change their names, which increases the possibility that international criminals will take advantage of the program. Grenada has issued approximately 300 economic citizenships, and claims that proper background checks are made.

The GOG has enacted some anti-money laundering legislation and regulations for its offshore sector. The Proceeds of Crime Act 1992 criminalizes drug-related money laundering and establishes asset forfeiture provisions. However, no prosecutions have taken place under this Act. The Money Laundering Prevention Act (MLPA) of 1999, which came into force in 2000, additionally criminalizes money laundering related to any other crime that, had it been committed in Grenada, would have been punishable by at least five years in prison. Violators face maximum fines of US \$1 million and prison sentences not to exceed 27 years. Individuals who "tip off" or aid and abet money launderers may be punished by a maximum fine of US \$500,000 and five years in prison.

The MLPA imposes reporting responsibilities on financial institutions such as onshore and offshore banks, money transmitters and exchanges, issuers of credit cards and traveler's checks, insurance businesses and trust businesses. The MLPA established the Supervisory Authority (SA) to supervise financial institutions' compliance with the Act. Covered institutions must identify customers; maintain transaction records for a minimum of seven years; permit on-site inspections; report transactions to the SA if money laundering is

suspected; and comply with regulations issued by the SA. The SA may forward information received from financial institutions to the Director of Public Prosecutions if there are reasonable grounds to suspect money laundering. Individuals leaving Grenada with more than EC \$100,000 (approximately US \$37,000) in currency must file a declaration form with the SA. The SA has the authority to establish training requirements and guidelines for financial institutions, and disseminate information internationally. The Ministry of Finance has the authority to issue a code of practice that would help covered institutions comply with provisions of the MLPA. Other provisions of the MLPA exempt good faith compliance with the Act from criminal or civil liability, and override bank secrecy in money laundering investigations. The GOG has not yet implemented certain provisions of the MLPA, including establishment of the SA and issuance of guidelines and a code of practice.

The GOG in 2000 restructured the Offshore Services Registry to create a semi-autonomous Financial Services Authority (FSA) with a staff of 13 personnel, including clerical and administrative personnel, to monitor and regulate the offshore sector. The FSA also is responsible for "promoting" Grenada's sector.

The GOG's anti-money laundering measures have thus far proven inadequate, as evidenced by the apparent fraudulent operation and ultimate collapse of the offshore First International Bank of Grenada (FIBG). The FIBG was founded in 1998 by US citizen Van A. Brink, who had declared bankruptcy in the United States, changed his name, and purchased a Grenadian passport. The FIBG lured investors with promises of 250 percent returns. Investigators allege Brink used new depositors' money to pay previous investors the impossibly high rate of return. In its first year, the bank claimed to have acquired assets of approximately US \$26 billion.

In March 1999, an independent auditor of the FIBG warned the GOG of serious irregularities such as a lack of real assets and Brink's obstruction of the audit. Brink subsequently moved to Uganda and began to conduct business with rebel leaders in Congo. In January 2000, the FIBG hosted a conference of 60 Congolese rebel leaders and signed a deal promising them millions in aid.

In August 2000, the GOG stepped in to take control of the bank. Auditors claim that millions of dollars were transferred to international accounts belonging to officers of the bank, including Van Brink in Uganda. Later that month, local police arrested and charged two bank officers with fraud, attempting to defraud, and aiding and abetting. In October, the GOG reinstated FIBG as the First International Bank of Grenada 2000 on the condition that it would be properly supervised and reimburse depositors. The bank reportedly owes its approximately 6,000 depositors nearly US \$150 million.

In the wake of international criticism surrounding the failure of FIBG, and at the time several other eastern Caribbean nations were determined by the FATF to be non-cooperative in international efforts to combat money laundering, the GOG initiated efforts to overhaul offshore legislation and regulations. In September 2000, the GOG named a new chairman for the FSA, sought international assistance, and announced plans to create a new financial crimes unit (FCU) within its police force. The FCU has not yet been established.

Since 2000, the GOG has had in force mutual legal assistance and extradition treaties with the United States. Grenada is a member of the Caribbean Financial Action Task Force (CFATF), and in November 1999, underwent a CFATF mutual evaluation. Grenada is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and is a party to the 1988 UN Drug Convention.

The GOG is urged to implement more stringent oversight of the offshore sector, in particular the economic citizenship program, and bring all provisions of the MLPA into full force. The GOG also should establish, fully staff, train, and fund the SA to operate as a financial intelligence unit. In addition, supervision should be strengthened by removing the marketing function from the FSA. Such measures will enable the GOG to better detect and investigate financial crime locally and cooperate with international law enforcement to prevent additional abuse of its financial sector by international criminals and fraud schemes.

Guatemala (Concern). Guatemala's geographic location and absence of comprehensive anti-money laundering legislation continues to make it vulnerable to drug money laundering. Moreover, money laundering related to kidnapping, tax evasion, vehicle theft, and corruption is believed to be on the rise. Real estate transactions and the financing of large commercial development projects are particularly vulnerable to money laundering. Guatemala does not have an offshore sector. Ineffectiveness, intimidation, and corruption within Guatemala's judiciary and law enforcement agencies continue to be serious problems and hinder the government of Guatemala's (GOG) ability to control money laundering.

In January 2001, the GOG published legislation, the Law for the Free Use of Currency, which allows foreign currency such as the US dollar to become legal tender in Guatemala. Free circulation of the dollar will make Guatemala's financial institutions even more vulnerable to the placement of drug-derived currency.

The GOG in November 2000 ratified the Central American Convention for the Prevention of Money Laundering and Related Crimes. However, the GOG needs to strengthen its anti-money laundering legislation in order to implement its obligations under the Convention. Article 45 of Guatemala's 1992 Narcotics Law makes it illegal to participate in any transaction known to involve the proceeds of drug trafficking. The GOG also has issued

regulations that require banks to record certain information regarding the origin of currency transactions that exceed US \$5,000. The GOG has not made serious efforts to enact more stringent anti-money laundering controls because of the banking sector's resistance. Guatemala has strict bank secrecy laws, and its corporate code also offers considerable secrecy to the owners of corporations.

In 1999, the Secretariat for the Commission Against Addictions and Illicit Drug Trafficking (SECCATID) drafted legislation that would require reporting of suspicious or unusual financial transactions and declaration of cross-border currency movements; prohibit the use of anonymous bank accounts; and create a Financial Investigative Department (FID) that would investigate money laundering cases. The legislation has not yet been passed.

In April 2000, the GOG's Public Ministry, with US Government assistance, opened a new anti-corruption prosecutor's office. The office to date has initiated approximately 1,000 cases against government officials.

Guatemala is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Guatemala is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering.

The GOG must adopt comprehensive anti-money laundering legislation that meets international standards, implement such legislation, and develop effective enforcement mechanisms so that it can protect its economy and financial system from financial crimes.

Guernsey (Primary). The Bailiwick of Guernsey (BOG) covers a number of the Channel Islands (Guernsey, Herm, Alderney, and Sark being the largest). Guernsey is a Crown Dependency of the United Kingdom. Its sophisticated offshore center continues to be vulnerable to money laundering, particularly at the layering and integration stages.

The Financial Services Commission (FSC) is responsible for regulating the BOG's offshore industry. The FSC conducts on-site visits and analyzes assessments by auditors. There are approximately 79 offshore banks that offer deposit taking and custodial, trust, company, and fiduciary services. The BOG also has 413 registered offshore insurance companies, approximately 15,450 IBCs, and 15 bureaux de change.

In January 2000, the Proceeds of Crime Law and Regulations 1999 (All-Crimes Legislation) came into force, along with the corresponding regulations, the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 1999. The legislation extends predicate offenses for money laundering to all serious crimes and creates a system for reporting suspicious transactions. Suspicious transactions reports are filed with the Joint Police and Customs Financial Investigation Unit (JPCFIU). The JPCFIU is a member of the Egmont Group.

In 2000, the Financial Action Task Force (FATF) conducted a review of Guernsey's anti-money laundering regime against 25 specified criteria. Guernsey was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report noted the following about Guernsey's anti-money laundering regime:

...Guernsey...[has] in place a system for reporting suspicious transactions. Where the underlying criminal conduct is drug trafficking or terrorism, the obligation to report is a direct one. Where the underlying criminal conduct is another predicate offence, the reporting is an "indirect obligation"—failure to make a report potentially leaves one open to a charge of money laundering; making a report is a defence against such a charge....

...Guernsey...[allows] certain intermediaries, and individuals, which are subject to the same anti-money laundering standards and supervision as financial institutions, to introduce business to banks and financial institutions on the basis that the introducers themselves verify the identity of the customer. In addition, the jurisdiction allows certain institutions based in certain overseas countries, subject to equivalent anti-money laundering systems, to introduce business, without separately verifying the identity of the client. Banks and other financial institutions in ...Guernsey...are only required to know the name of the client but not to verify the identity separately. There is concern as to whether such a system is consistent with FATF Recommendations and provides sufficiently rigorous checks on the identity of clients of banks and financial institutions, especially in cases where the introducer is not a financial institution.

The lack of a stringent scheme to apply the new rules of customer identification for accounts opened prior to their entry into force is also a source of concern. The new rules for customer identification verification were introduced in...Guernsey in 1999....

Proposed drug trafficking legislation would consolidate legislation passed in 1988 and 1992, and also would include a new offense of acquiring, possessing, or using the proceeds of drug trafficking. Moreover, this legislation would introduce an offense of failing to disclose the knowledge or suspicion of drug money laundering. Passage of this legislation reportedly would be an important step towards putting the UK in a position to extend the application of the 1988 UN Drug Convention to the BOG.

The BOG also is considering legislation that would regulate bureaux de change and cheque cashers to ensure that these entities are formally identified and comply with BOG Guidance Notes.

The BOG cooperates with international law enforcement on money laundering cases. The BOG is a member of the Offshore Group of Bank Supervisors.

The BOG has made strides toward developing a comprehensive anti-money laundering regime. The BOG should further strengthen its anti-money laundering program by approving and implementing pending legislation that would consolidate the drug trafficking law, regulate bureaux de change and cheque cashers, and expand regulation of trust companies.

Guyana (other). Guyana is not an important regional financial and offshore banking is not permitted. Nevertheless, there is concern that both narcotics and non-narcotics related money laundering takes place. A largely unregulated banking sector, several independent currency exchanges and growing illicit trade in licit goods (particularly gold and diamonds) facilitate money laundering activities.

Guyanese law requires that funds over US \$10,000 imported into or exported out of Guyana be reported, but mechanisms have not yet been put into place to facilitate such reporting. The Financial Institutions Act of March 1995 designated the Bank of Guyana, the central bank, as the sole financial regulator and extended the coverage of legislation, regulations and penalties to all deposit-taking institutions. However, there are no laws in force at this time that require financial institutions to know, record, or report the identities of customers engaging in large currency transactions, suspicious transactions or to maintain transaction records.

Although a money laundering prevention bill was passed by the Guyanese National Assembly in February 2000, the legislation is not yet in force. The new law will criminalize money laundering related to narcotics and other serious crimes and will allow for the expansion of predicate offenses. The legislation also will establish requirements for reporting suspicious transactions by banks and non-bank financial institutions, and cross-border currency transactions. Moreover, other provisions of the legislation will require confidentiality in the reporting process, provide for good faith reporting, and contain provisions for asset forfeiture, international cooperation, and extradition for money laundering. The legislation authorizes creation of a supervisory authority to receive financial disclosure information and supervise financial institutions' activities to prevent and detect money laundering. However, the legislation appears to fall short of Financial Action Task Force (FATF) Forty Recommendations and the revised Organization of American States (OAS) Model Regulations on Money Laundering.

Guyana is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Guyana has not joined the Caribbean Financial Action Task Force (CFATF) by signing the CFATF Memorandum of Understanding. It would benefit by doing so and by actively participating in CFATF activities, including undergoing a mutual evaluation.

Guyana is a party to the 1988 UN Drug Convention

Haiti (Concern). Haiti is vulnerable to money laundering because of a dramatic rise in drug trafficking, official corruption, and ineffective bank supervision. Drug traffickers use Haiti as a transit country for moving bulk currency. Moreover, criminals launder funds through Haiti's exchange houses, and via wire transfers through banks and money remitters.

In August 2000, the Central Bank of Haiti (BRH) issued Circular 95, which requires banks, exchange brokers, and transfer bureaus to obtain declarations identifying the source of funds for transactions exceeding 200,000 gourdes (approximately US \$ 9,600) or the equivalent in foreign currency. Covered entities must report to the competent authorities such transactions on a quarterly basis. Failure to comply can result in fines of 100,000 gourdes (approximately US \$4,800). The BRH also can revoke the license of banks that fail to comply. The Ministry of Justice reported in August 2000 that it had created a body to receive and analyze financial disclosures. However, no additional details were provided. Several Haitian banks have organized anti-money laundering seminars to increase awareness.

In January 2001, Haiti reportedly passed anti-money laundering legislation. However, at this time, the specifics of the legislation have not been provided.

Haiti is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Haiti is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. The GOH in September 2000 began the process of applying for membership in the Caribbean Financial Action Task Force (CFATF). In December 2000, a CFATF team traveled to Haiti for a preliminary visit and evaluation.

The new GOH, which will be seated in February 2001, should build upon previous efforts and ensure that it enacts and fully enforces anti-money laundering legislation that meets international standards such as criminalizing the laundering of proceeds related to all serious crimes, including corruption, and requiring

suspicious transactions and cross-border currency reporting. The GOH also is urged to establish, train, and adequately fund and staff a financial intelligence unit that would coordinate the GOH's anti-money laundering efforts and work with foreign governments to help protect the Haitian economy from criminal abuse. Moreover, the GOH is urged to continue its efforts to join and work more closely with the CFATF, which will help provide additional regional guidance, support, and coordination in the fight against money laundering.

Honduras (Concern). Honduras is not a major regional financial center, and does not offer offshore financial services. However, Honduras is vulnerable to drug money laundering because of increased drug-trafficking activity throughout the region. The illicit proceeds of auto theft, kidnappings, bank fraud, alien smuggling, and corruption also are believed to be laundered in Honduras. Money launderers use Honduran banks, casinos, exchange firms, and front companies.

Honduras's anti-money laundering regime is inadequate, and there have been no successful money laundering prosecutions under its present legislation. Law No. 27-98 of December 1997 criminalized narcotics-related money laundering, and requires banks and non-bank financial institutions to report suspicious financial transactions (STRs) to the National Banking and Insurance Commission (NBIC). The NBIC analyzes STRs and forwards those that it suspects are linked to narcotics trafficking to the Public Ministry. Even though financial institutions and their employees are protected from civil and criminal liability when filing STRs, compliance remains low. In 2000, a joint commission of the Public Ministry, NBIC, and other Government of Honduras (GOH) institutions drafted new legislation that would expand predicate crimes for money laundering to include all criminal activity, and promote more effective investigation of STRs. The National Congress has not yet approved this legislation.

Corruption is a serious impediment to implementing more effective anti-money laundering controls in Honduras. The Ministry of Security has proposed a series of measures that would target corruption in the judiciary and law enforcement, but the National Congress has yet to enact these measures.

Honduras is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Honduras is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Honduras cooperates with the US Government in narcotics-related investigations.

Honduras is urged to pass comprehensive anti-money legislation that would expand the predicate crimes for money laundering to include all serious crimes.

Hong Kong (Primary). Hong Kong is an important international financial center and is vulnerable to money laundering through its traditional banking, remittance, and money transfer networks, as well as through the offshore financial services it offers and its extensive underground banking system. Narcotics trafficking, fraud, illegal gambling and bookmaking, alien smuggling, and tax evasion generate much of the illicit proceeds that are laundered in Hong Kong. Hong Kong has developed a strong anti-money laundering regime and is a regional leader in the area of financial regulation and supervision.

Hong Kong's banking system is a three-tier system of deposit-taking institutions: licensed banks, restricted license banks, and deposit-taking companies. As of October 2000, the Hong Kong Monetary Authority (HKMA) regulated 267 financial institutions. The Insurance Authority and the Securities and Futures Commission regulate the insurance and securities industries, respectively. All three groups impose licensing requirements and conduct background checks on applicants.

Hong Kong's offshore services include exempt companies in the form of registered, private, limited companies (PLCs). These companies can be formed using nominee shareholders and directors, but cannot issue bearer shares. Hong Kong allows public access to registers of corporate directors, managers, and members, but does not require disclosure of beneficial owners of the more than 470,000 such companies. PLCs generally are not taxed or required to file tax returns because Hong Kong taxes only income earned in Hong Kong. The HKMA requires authorized financial institutions to obtain written statements from company formation agents certifying that they have recorded and retained information that identifies the source of funds.

In 1989, Hong Kong criminalized money laundering related to drug trafficking through the Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP), and in 1994, criminalized money laundering related to indictable offenses through the Organized and Serious Crime Ordinance (OSCO). In 1995, the GOHK passed amendments to the OSCO and the DTRPO that require banks, non-bank financial institutions, and financial intermediaries, such as lawyers and accountants, to file suspicious transactions reports (STRs). New legislation came into force in 2000 that requires remittance and money transfers agents to maintain records and identify customers for cash transactions equal to or greater than US \$2,500.

Hong Kong also has implemented regulations that require financial institutions to record the identities of customers, or the identities of the customers' legal nominee, and to release this information to authorities upon request. Financial institutions are required to maintain these records for a minimum of five to seven years and to report suspicious transactions to the Joint Financial Intelligence Unit (JFIU) for review and possible

investigation. The JFIU is a member of the Egmont Group and is able to share information with its international counterparts. Hong Kong law provides that the filing of an STR shall not be regarded as a breach of restrictions imposed by contract or law on the disclosure of information. The JFIU provides periodic feedback to financial institutions on STRs that they have filed and also makes available to financial institutions trend reports and sanitized case histories.

In the first ten months of 2000, the banking sector filed 4,969 suspicious transactions reports, the securities sector filed 24, and the insurance sector filed 11. Through November 2000, Hong Kong had prosecuted 13 money-laundering cases. Hong Kong reports that it has not detected an increase in financial crimes over the past year and has found no indications of narcotics proceeds funding smuggling activities.

In November 2000, Hong Kong reintroduced to the legislature amendments to the DTROP and the OSCO that would reduce the threshold for filing STRs. Under current law, financial institutions must file an STR if there are reasonable grounds to believe that money laundering is taking place. The proposed amendment to the DTROP, however, would require banks to file an STR when there are reasonable grounds to suspect money laundering. The amendment also would increase the maximum penalties for money laundering from 14 to 20 years in prison and for failure to report suspicious transaction from 3 to 12 months in prison. Bankers and accountants have expressed some reservations about this legislation, but its prospects for passage without major change reportedly are good.

Hong Kong is a party to the 1988 UN Drug Convention. It is a member of the Asia/Pacific Group against Money Laundering (APG) and the FATF. Hong Kong will assume the FATF's presidency in 2001. Hong Kong also is a member of the Offshore Group of Banking Supervisors. In January 2000, Hong Kong's treaty on mutual legal assistance with the United States came into force. Hong Kong has signed similar agreements with Australia, France, United Kingdom, New Zealand, Italy, the Republic of Korea, and Switzerland. Hong Kong has initialed agreements on mutual legal assistance with Portugal, Canada, the Philippines, Israel, and India that will provide for the exchange of information for all serious crimes, including money laundering.

Hong Kong could further strengthen its anti-money-laundering regime by requiring financial institutions to report transactions that exceed specified large amounts and by putting into place measures that would help prevent structuring of deposits. Hong Kong also should establish cross-border currency reporting requirements and encourage increased suspicious transaction reporting in the securities and futures industry. Moreover, Hong Kong should tighten offshore company registration procedures to discourage formation of shell companies.

Hungary (Primary). Hungary is vulnerable to money laundering because of its strategic location, modern financial services industry, and the presence of organized criminal groups in the country. In particular, organized crime groups from the former Soviet Union and Eastern Europe have established a strong presence in Hungary and use Hungarian financial institutions such as banks, casinos, and currency exchange businesses to launder their illicit proceeds. Hungarian banks may be particularly vulnerable to money laundering because of their issuance of anonymous bearer passbook accounts. These passbooks can be used to make cash deposits and withdrawals that do not exceed 200,000 Hungarian forints (approximately US \$700). All currency transactions that exceed two million forints require some form of customer identification. Narcotics trafficking, smuggling, arms trafficking, auto theft, tax evasion, financial fraud, bribery, alien smuggling, and racketeering are the major sources of criminal proceeds laundered in Hungary.

In 1994, the Government of Hungary (GOH) criminalized money laundering related to all crimes through an amendment to Section 303 "Money Laundering" of the 1978 Hungarian Criminal Code. Other money laundering legislation became effective at the same time, notably Act XXIV of 1994 on the Prevention and Impeding of Money Laundering. Hungarian financial institutions such as banks, insurance companies, securities brokers/dealers, investment fund management companies, currency exchange houses, and casinos are required to file suspicious transaction reports (STRs). Real estate agencies are not subject to STR reporting requirements, but have been used to launder money. The GOH limits the import and export of the forint to 200,000 forints (approximately US \$700). There are no limitations on the amount of foreign currency that can be imported; however, amounts exceeding 50,000 forints (approximately US \$170) must be declared. Exports of foreign currency cannot exceed the amount of currency that was brought into the country.

Hungary's legislature in May 2000 began consideration of a proposal that would require executives, attorneys, and accountants of insurance companies to file STRs.

Hungary's financial intelligence unit is the Anti-Money Laundering Section (AMLS) of Hungary's National Police. The AMLS receives STRs from financial institutions, and is a member of the Egmont Group. Hungary in 2000 established a criminal investigation bureau within the Tax and Financial Inspection Service to investigate tax evasion and money laundering.

Hungary has recently entered the offshore financial services market and has licensed 300 international business companies (IBCs). It does not provide offshore banking.

Hungary has a Mutual Legal Assistance Treaty with the United States. Hungary also has information sharing agreements with Austria, Slovakia, and Cyprus for the exchange of information related to money laundering. In January 2000, Hungary and the United States signed a non-binding information-sharing agreement that enables US and Hungarian law enforcement to work together more closely on organized crime and related illicit transnational activities. Hungary has signed similar cooperation agreements with 22 other countries. In May 2000, Hungary and the US Federal Bureau of Investigation established a joint task force to combat Russian organized crime groups.

Hungary is a member of the Council of Europe's (COE) Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), and underwent a mutual evaluation by this group that was published in June 1999. Hungary is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The Government of Hungary (GOH) has initiated only four major money laundering investigations in the last several years, and has not yet had a successful prosecution. The GOH is urged to remove any legal and institutional impediments that prevent it from bringing money-laundering investigations to a successful conclusion. Moreover, the GOH should approve and fully implement legislation that requires executives, attorneys, and accountants of insurance companies to file STRs. The GOH also should eliminate anonymous bearer passbooks. However, none of these measures will be effective until the GOH devotes more resources to investigate money-laundering allegations and to tighten oversight of organizations that are required to file STRs.

India (Primary). Money laundering is a growing concern in India because of its large population and emergence as a regional financial center. The hawala (or hundi) alternative remittance system reportedly is used by criminals to launder money generated from drug trafficking, alien smuggling, corruption, and financial fraud.

The Narcotic Drugs and Psychotropic Substances Act (NDPSA) of 1985, amended in 1988, calls for the tracing and forfeiture of assets that have been acquired through narcotics trafficking, and prohibits attempts to transfer and conceal those assets. This legislation seems to have the effect of criminalizing drug money laundering. The Code of Criminal Procedure, 1973, Chapter XXXIV (sections 451-459) establishes India's basic framework for confiscating the proceeds of crime. The Criminal Law Amendment Ordinance (CLAO) of 1944 allows for the attachment and forfeiture of money or property obtained through bribery, corruption, criminal breach of trust, or theft, and of assets that are disproportionate to an individual's known sources of income.

The Indian Parliament continues to consider draft legislation that would explicitly criminalize money laundering, impose reporting requirements on financial institutions and intermediaries, and provide for seizure and confiscation of assets related to the proceeds of crime. The bill was referred to a select committee of the upper house of India's parliament, which has made certain recommendations. These are currently under review by the executive branch.

The GOI does not have a financial intelligence unit (FIU); and legislation currently before the parliament does not call for the establishment of an FIU. The Central Economic Intelligence Unit (CEIB) is the Government of India's (GOI) lead organization for fighting financial crime. Other organizations such as the Directorate of Revenue Intelligence, Customs and Excise, and the Reserve Bank of India also play a role in the enforcement of India's anti-money laundering laws.

India is a party to the UN 1988 Drug Convention, and is a member of the Asia/Pacific Group on Money Laundering.

The GOI should adopt comprehensive anti-money laundering legislation, and create an FIU that would analyze suspicious transactions reports and cooperate with FIUs from other countries.

Indonesia (Primary). Indonesia's strategic geographic location, strict bank secrecy, and inadequate legislation against money laundering and corruption have made its economy vulnerable to money laundering. Indonesia is not an offshore center. Most money laundering in Indonesia is believed to be related to domestic narcotics trafficking, fraud, and corruption. In recent years, several Indonesian banks have become the targets of fraud schemes and corruption that may have been prevented if adequate safeguards had been in place, indicating that the country's financial regulatory system also is inadequate.

In July 2000, Indonesian police officials at a cyber crime conference described recent cases that have involved credit card fraud, computer hacking, and other financial crimes. Despite their ongoing efforts, the Indonesian National Police still lack the appropriate resources, training, and expertise to mount complex investigations. In August 2000, the US Government provided anti-money laundering training to representatives of Indonesian law enforcement.

Draft legislation that is the subject of discussion between the administration and parliament, the Eradication of Criminal Acts of Money Laundering (ECAML), would criminalize money laundering and establish suspicious

transactions reporting for financial institutions, currency transactions reporting, and cross-border currency reporting. ECAML also would establish the Commission for the Eradication of Criminal Acts of Money Laundering (CECAML). CECAML would receive and analyze currency and suspicious transactions reports, and offer assistance in criminal money laundering investigations.

Indonesia is a member of Asia Pacific Economic Cooperation (APEC), and the Asia/Pacific Group on Money Laundering (APG). Indonesia is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

The lack of an adequate anti-money laundering and enforcement regime will continue to put Indonesia's financial system at risk to financial crime. Indonesia should pass comprehensive anti-money laundering legislation and enact bank supervisory practices that are consistent with accepted international standards. In addition, the GOI should investigate the use of non-bank facilities that are frequently used to launder money.

Iran (Other). Iran is not a regional financial center. Iranian law enforcement officials reportedly carry out financial investigations in the context of drug crimes. Iran does not have legislation that criminalizes money laundering.

Iran's real estate market is widely used as an alternative remittance system. For example, real estate transactions take place in Iran, but no funds change hands there; rather, payment is made overseas. This typically is done because of the difficulty in transferring funds out of Iran and the weakness of Iran's currency, the rial. The real estate market, in at least one instance, has been used to launder narcotics-related funds.

Iran is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Ireland (Concern). The primary sources of funds laundered in Ireland are derived from tax offenses, fraud, and drug trafficking. Money laundering occurs in financial institutions and bureaux de change, the latter of which are not regulated. Additionally, investigations in Ireland indicate the continued use of professionals specializing in the creation of legal entities as a means for laundering money. Trusts are also established as a means of transferring funds from Ireland to offshore locations. It is difficult to establish the true beneficiary of the funds, which makes it difficult to follow the money trail and establish a link between the funds and the criminal.

Ireland's offshore banking is concentrated in Dublin's International Financial Services Centre (IFSC). The IFSC has a preferential 10-percent corporate tax rate. Approximately 400 international financial institutions and companies operate in the IFSC. Services offered include fiscal management, re-insurance, fund administration and foreign exchange dealing. The IFSC companies are regulated by the Central Bank of Ireland.

The Criminal Justice Act 1994 criminalized money laundering relating to drug trafficking and other offenses. It also required financial institutions to report suspicious transactions and currency transactions exceeding approximately US \$15,000, implement customer identification procedures and retain records of financial transactions. Subsequent legislation added requirements for the implementation of anti-money laundering programs and for training in the identification of suspicious transactions.

A number of the suspicious transaction reports, as well as requests for assistance from Financial Action Task Force (FATF) members, have cited the use of solicitors, accountants and company formation agencies in Ireland to create shell companies. Investigations have disclosed that these companies are used to provide a series of transactions connected to money laundering, tax offenses, and other fraudulent activity. The difficulties in establishing the beneficial owner of such a company are complicated by the fact that the directors are usually nominees and are often principals of a solicitors' firm or of a company formation agency.

Ireland has recently proposed a new Finance Act and a new Company Law Act to address these concerns. The new Company Act will require all newly registered Irish companies to engage, at least in part, in business dealings within the State. It also contains a general requirement that at least one director reside in Ireland.

New legislation has recently been introduced to combat money laundering by terrorist organizations. This legislation contains provisions addressing the forfeiture of property when it is used by or connected with a terrorist organization.

The Bureau of Fraud Investigation serves as Ireland's financial intelligence unit. The Bureau analyzes financial disclosures and is a member of the Egmont Group.

To date, 30 individuals have been charged with money laundering in Ireland, and 17 have been convicted in Irish courts.

Ireland is a member of the European Union (EU), Council of Europe and the Financial Action Task Force (FATF). Ireland is also a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Isle of Man, The (Primary). The Isle of Man (IOM) is a Crown Dependency of the United Kingdom. Its sophisticated offshore center continues to be vulnerable to money laundering, particularly at the layering and integration stages.

In 2000, the Financial Action Task Force (FATF) conducted a review of the IOM's anti-money laundering regime against 25 specified criteria. The IOM was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report raised certain concerns about the IOM's anti-money laundering regime:

...the Isle of Man...[has] in place a system for reporting suspicious transactions. Where the underlying criminal conduct is drug trafficking or terrorism, the obligation to report is a direct one. Where the underlying criminal conduct is another predicate offence, the reporting is an "indirect obligation"—failure to make a report potentially leaves one open to a charge of money laundering; making a report is a defence against such a charge....

...the Isle of Man ...[allows] certain intermediaries, and individuals, which are subject to the same anti-money laundering standards and supervision as financial institutions, to introduce business to banks and financial institutions on the basis that the introducers themselves verify the identity of the customer. In addition, the jurisdictions allow certain institutions based in certain overseas countries, subject to equivalent anti-money laundering systems, to introduce business, without separately verifying the identity of the client. Banks and other financial institutions in the ...Isle of Man ... are only required to know the name of the client but not to verify the identity separately. There is concern as to whether such a system is consistent with FATF Recommendations and provides sufficiently rigorous checks on the identity of clients of banks and financial institutions, especially in cases where the introducer is not a financial institution...

The lack of a stringent scheme to apply the new rules of customer identification for accounts opened prior to their entry into force is also a source of concern. The new rules for customer identification verification were introduced in ...the Isle of Man in 1998....

Much of the IOM's offshore financial services industry consists of "exempt companies" that are not permitted to conduct business on the island and are generally owned by individuals who are not residents of the island. These companies are not required to disclose the identities of beneficial owners, and can issue bearer shares. In the IOM, bearer shares are registered with the name and address of the initial holder. There are approximately 24,300 exempt companies registered in the IOM.

The IOM in 1987 criminalized money laundering related to drug trafficking, and in 1990, added terrorism as a predicate offense. The Criminal Justice (Money Laundering Offenses) Act 1990 extended the government's confiscation powers to all crimes, and was amended in 1998 to criminalize money laundering related to all serious crimes. In addition, this legislation contains a requirement for reporting suspicious transactions related to drugs or terrorism. The IOM also has enacted the Anti-Money Laundering Code 1998, which (as amended in 1999) imposes reporting and "know your customer" obligations on financial businesses such as lawyers, registered legal practitioners, and accountants holding accounts on clients' behalf; company service providers; and trust service providers. However, there is an exemption from the identification of customers requirement for business relationships that were formed prior to December 1998. The Code is supplemented by Guidance Notes that define the obligations of the institutions under the revised Code. The insurance sector also has issued Guidance Notes.

Suspicious transactions reports are reported to the Fraud & Financial Investigation Unit (FFIU), the IOM's financial intelligence unit. The FFIU belongs to the Egmont Group.

The IOM has announced its intention to end the use of bearer shares, and to require companies to certify to the Financial Services Commission (FSC)—the entity that regulates the IOM's financial institutions—that they have created accounts. However, companies will not be required to reveal actual figures to the FSC.

The IOM is a member of the Offshore Group of Banking Supervisors. The IOM cooperates with international anti-money laundering authorities on regulatory and criminal matters. Application of the 1988 UN Drug Convention was extended to the IOM in 1993.

The IOM has made progress toward developing a comprehensive anti-money laundering regime. The IOM should consider further strengthening its anti-money laundering program by making its customer identification rules retroactive.

Israel (Primary). Israel is not considered a regional financial center, offshore center, or tax haven. In the past, Israel's banking system had been vulnerable to money laundering because of its bank secrecy laws. Israeli law enforcement officials report that it has no information that confirms the existence of organized criminal groups laundering money in Israel. However, foreign law enforcement reports indicate that organized crime groups launder money in Israel. Moreover, US law enforcement has seen the use of Israeli-based or linked accounts or targets in a variety of money laundering undercover operations.

In June 2000, the Financial Action Task Force (FATF) identified Israel as a noncooperative country in the international fight against money laundering. The FATF in its report cited:

The absence of anti-money laundering legislation causes Israel to fall short of FATF standards in the areas of mandatory suspicious transactions reporting, criminalization of money laundering arising from serious crimes and establishment of a financial intelligence unit. Israel also is partially deficient in the area of record keeping, since this requirement does not apply to all transactions. However, Israel already meets FATF standards in the areas of regulation of financial institutions, licensing, and screening procedures for banking corporations, and the international cooperation in regulatory investigations. Israeli banking regulations address the issue of customer identification.

The US Treasury Department issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving Israel.

In August 2000, Israel enacted legislation, the Prohibition on Money Laundering Law (PMLL), 5760-2000, that criminalizes money laundering, and imposes on financial services providers the obligation to identify, report, and keep records of specified transactions. The law establishes possession of unlawful property, publication of pornography, public corruption, copyright violation, counterfeiting, gambling, trafficking in persons, fraud, drug smuggling, and auto theft as predicate offenses for money laundering. The PMLL also prescribes an obligation on persons entering or leaving Israel to report monies brought into or taken out of the country. These obligations will come into effect on a date to be set by the Minister of Justice, but not later than 18 months after the law's enactment. The full effect and value of these legislative changes cannot be determined, however, until the implementing regulations are fully in place and enforced.

In November 2000, Israeli police issued the Reporting to Police Regulation, which establishes mechanisms for reporting transactions that involve prohibited property.

In early January 2001, the Israeli Knesset Constitution, Law and Justice Committee approved regulations that address customer identification, transactions reporting requirements, and records retention. The regulations will become effective one year from the date they are signed into law. Under these new regulations, Israeli banks must report the following transactions:

- * Deposits and withdrawals of currency equal to or greater than Israeli New Shekel (NIS) 200,000 (approximately US \$49,500).
- * Cash transactions equal to or greater than NIS 200,000 that are not conducted via the customer's account.
- * Exchange of currency equal to or greater than NIS 50,000 (approximately US \$12,400).
- * Issuance of bank checks equal to or greater than NIS 200,000. Checks issued against a home loan of NIS 1 million (approximately US \$247,500) or less are exempted.
- * Purchase of travelers' checks equal to or greater than NIS 200,000.
- * Deposit of foreign-currency checks equal to NIS 1 million.
- * Transfers to and from Israel equal to or greater than NIS 1 million.

Banks will not be required to report such transactions that are conducted by public institutions, banks, credit card companies, insurance companies, or similar entities.

Israel also is in the process of establishing a Money Laundering Authority that will include a financial intelligence unit (FIU), and will coordinate information and activities with Israeli law enforcement, customs, banks, and other relevant entities.

Israel and the United States have a Mutual Legal Assistance Treaty. Israel does not have bilateral agreements with other countries concerning money laundering. Israel has signed the 1988 UN Drug Convention, but has not yet become a party to it. In December 2000, Israel signed the UN Convention against Transnational Organized Crime.

Effective implementation and enforcement of anti-money laundering legislation is critical to protecting Israel's financial system from continued abuse by criminals and criminal organizations. In particular, the GOI should establish its FIU as quickly as possible, and ensure that it has the necessary equipment and personnel to operate effectively.

Italy (Primary). Italy's large financial sector is vulnerable to money laundering; in 1997, money laundering in Italy was estimated to exceed US \$50 billion. Italy is a drug consumption country and a transshipment point for moving illicit narcotics into western Europe. Italian organized criminal groups—particularly those in the southern part of the country—continue to engage in narcotics and alien smuggling, contraband cigarettes smuggling, extortion, usury, and kidnapping, and launder the proceeds of these activities through Italian

banks, casinos, real estate, and the gold market. For example, Italian, Albanian and Montenegrin criminal organizations form offshore companies to purchase bulk cigarettes that are marked for export, and smuggle them into Italy where they are sold tax-free throughout the European Union. This highly lucrative trade is made more attractive by relatively light penalties—a maximum of five years in prison. In 1999, actual seizures of contraband merchandise by the Government of Italy (GOI) indicate that Italy lost more than US \$1 billion in tax revenue.

In May 2000, Swiss police arrested alleged organized crime kingpin Gerardo Cuomo in a joint operation with Italian anti-Mafia police. The Government of Switzerland in November 2000 approved Cuomo's extradition to Italy where he will face charges of smuggling, criminal conspiracy, and money laundering.

Italian law criminalizes money laundering related to any crime. A wide range of financial institutions—including stock brokerages, exchange houses, and insurance companies—must identify their customers, record and report transactions above 20 million lire (approximately US \$9,800), and report suspicious transactions. In addition, institutions and individuals must report cross-border movements of currency that exceed 20 million lire. The GOI also has in place a system for tracing, freezing, seizing, and confiscating assets. In accordance with Council of Europe procedures, the GOI is committed to sharing these assets with cooperating countries.

Decree No. 153/97 designates the Ufficio Italiano dei Cambi (UIC) as the recipient of suspicious transactions reports (STRs); provides a "safe harbor" provision for individuals who report suspicious transactions; and creates an inter-ministerial commission to coordinate anti-money laundering among Italian law enforcement and regulatory agencies. The decree also establishes organizational links among agencies that are involved in the fight against organized crime, and encourages international cooperation against money laundering.

Italy's financial intelligence unit, the UIC, is a member of the Egmont Group. The UIC receives and analyzes financial disclosures, and forwards them to the appropriate law enforcement agency—the Anti-Mafia Directorate or the Guardia di Finanza—for further investigation when deemed necessary. The UIC also performs supervisory and regulatory functions such as issuing decrees, regulations, and circulars.

Italy is a member of the Financial Action Task Force (FATF), and held its presidency from 1997 to 1998. In 1997, Italy underwent a second-round FATF mutual evaluation. Italy also is a member of the European Union (EU). Italy is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. Italy and the United States have a Mutual Legal Assistance Treaty and an extradition treaty in place, and cooperate on money laundering cases. Italy has information sharing agreements with other countries for the exchange of information related to money-laundering cases. Moreover, the GOI has a number of bilateral agreements with foreign governments in the area of investigative cooperation on drug trafficking and organized crime.

Although the GOI has comprehensive internal auditing and training requirements for its financial sector, implementation of these measures by non-bank financial institutions still lags behind that of banks, as evidenced by the relatively low number of suspicious transactions reports that have been filed by non-bank financial institutions. The GOI should therefore increase its training efforts and supervision in the area of non-bank financial institutions to decrease their vulnerability to money laundering.

Jamaica (Concern). Jamaica has not developed into a significant regional financial center or offshore banking center. However, money laundering does occur, primarily through the purchase of assets such as cars and real estate. The laundering of proceeds through Jamaican banks and financial institutions does not appear to be prevalent.

The Government of Jamaica (GOJ) passed the Money Laundering Act (MLA) in December 1996, but it was not implemented until January 5, 1998. The financial sector complained that the process of reporting threshold transactions—involving US \$10,000 or more in cash—was an onerous burden. In March 1999, an amendment raised the reporting threshold to US \$50,000 for all financial institutions except persons licensed to operate an exchange bureau (or cambio), who have a reporting threshold of US \$8,000. In addition, the amendment introduced suspicious transaction reporting. In February 2000, the Act was further amended to expand the predicate offenses to include fraud, firearms trafficking, and corruption.

In accordance with powers contained in the MLA, the Director of Public Prosecutions sent a letter to local banks, cambios, and building societies, requesting implementation of a new suspicious transaction reporting form that details why a transaction is considered suspicious. The form, which was distributed to the local financial sector in October 2000, will help investigators in analyzing whether a reported transaction is the result of money laundering.

The Government of Jamaica (GOJ) recently submitted to Parliament a package of bills intended to strengthen regulation of the country's financial sector. The bills include amendments to the Bank of Jamaica (BOJ) Act that are designed to strengthen the authority of the BOJ's financial institutions supervisory division. Other proposed legislation would establish an independent, non-bank supervisory agency—the Financial Services Commission (FSC)—which would become operational on April 1, 2001 (the beginning of the next fiscal year). FSC would

regulate financial markets, insurance companies, pension funds, and financial advisors.

In addition to the proposed legislation, the GOJ is taking administrative steps to establish a regulatory policy council that would coordinate the regulatory functions of the BOJ, FSC, and the Jamaica Deposit Insurance Company. The GOJ also plans to establish a commercial court and a financial crimes investigation unit. These steps are part of the GOJ program to rehabilitate the Jamaican financial sector after its 1996–1997 collapse and to prevent future banking crises.

Jamaica has established a Financial Analysis Unit (FAU) to assist in the implementation of its anti–money laundering program. The unit is responsible for receiving, analyzing, and developing information from suspicious activity reports. At the request of the US Embassy in Jamaica and the GOJ, FinCEN visited the FAU on September 5, 2000 to determine its training and technical assistance needs. The unit is in its initial stage of development; however, it is expected to be operational in early 2001. The unit has been collecting threshold reports since 1998. The total number of reports received is unknown because they are too numerous to count easily, although they have received at least 5,000 reports from one bank. The unit has been collecting Suspicious Activity Reports (SARs) since 1999, and has received 22 SARs to date.

Two data entry clerks will be detailed to the FAU from the Organized Crime Unit to enter the collected threshold reports and SARs once the FAU receives a software package for the collection and analysis of SARs. After the financial data has been entered, two analysts from the Organized Crime Unit will also be detailed to the FAU for a period of six months. The analysts will be responsible for analyzing the data and forwarding financial reports to the financial crimes investigation unit for a more thorough investigation.

Jamaica is a party to the 1988 UN Drug Convention. Jamaica is a member of the Caribbean Financial Action Task Force (CFATF) and the Organization of American States Inter–American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Jamaica and the United States have a Mutual Legal Assistance Treaty that entered into force in 1995.

The GOJ continues to make progress in bringing its anti–money laundering regime in line with international standards. There is a genuine commitment on the part of the GOJ and the Public Prosecutors Office to combat money laundering and to cooperate with regional and international governments. The GOJ should take steps to further strengthen its money laundering law by extending it to cover the laundering of proceeds from all serious crimes and require declarations of large cross–border movements of currency or monetary instruments. The GOJ should also ensure that the FAU is sufficiently staffed and resourced and is brought into operation as soon as possible.

Japan (Primary). Japan is an important world financial center and is believed to be a major money laundering center. The principal sources of laundered funds are drug trafficking and financial crimes (illicit gambling, extortion, abuse of legitimate corporate activities, and all types of property related crimes) as well as the proceeds from violent crimes, mostly linked to Japan's criminal organizations, e.g., the boryokudan. The Japanese National Policy Agency estimates that the boryokudan's illegal activities generate annually several billion dollars in proceeds. US law enforcement reports that drug–related money laundering investigations initiated in the US periodically show a link between drug–related money laundering activities in the US and bank accounts in Japan.

Prior to 1999, Japanese law only criminalized narcotics–related money laundering. The Anti–Drug Special Law, enacted in 1991, criminalized drug–related money laundering, mandated suspicious transaction reports for the illicit proceeds of drug offenses, and authorized controlled drug deliveries. This legislation also created a system to confiscate illegal profits gained through drug crimes. The seizure provisions apply to tangible and intangible assets, direct illegal profit, substitute assets, and criminally derived property that has been commingled with legitimate assets. The limited scope of the law and the burden required of law enforcement to prove a direct link between money and assets to specific drug activity severely limited the law's effectiveness. As a result, Japanese police and prosecutors have undertaken few investigations and prosecutions into suspected money laundering.

Pursuant to the 1999 Anti–Organized Crime Law, which came into effect in February 2000, Japan expanded its money laundering law beyond drug trafficking to include money–laundering predicates such as murder, aggravated assault, extortion, theft, fraud, and kidnapping. The new law also extended the confiscation laws to include the additional money laundering predicate offenses and to include value–based forfeitures, and authorized electronic surveillance of organized crime members.

To facilitate exchange of information related to suspected money laundering activity, the law established the Japan Financial Intelligence Office (JAFIO) as Japan's financial intelligence unit. Financial institutions in Japan report suspicious transactions to the JAFIO as instances of suspicious transactions are discovered. The number of suspicious transaction reports continued to increase during the first eleven months of 2000, rising from 900 in 1999 to over 4,000 in 2000.

Japanese banks and financial institutions are required by national laws to record and report the identity of

customers engaged in large currency transactions. There are no secrecy laws that prevent disclosure of client and ownership information to bank supervisors and law enforcement authorities. Under the 1998 Foreign Exchange and Foreign Trade Control Law, banks and other financial institutions must report transfers abroad of five million yen (approximately US \$44,579) or more. Domestic laws also require banks and financial institutions to maintain records for an adequate period of time should they be needed to reconstruct significant transactions. This requirement is not specifically narcotics-related.

Japanese financial institutions have cooperated, when requested, with law enforcement agencies, including US and other foreign government agencies investigating financial crimes related to narcotics. Japan has not adopted "due diligence" or "banker negligence" laws that make individual bankers responsible if their institutions launder money, but there are administrative guidelines in existence that require due diligence. The law does, however, protect bankers and other financial institution employees who cooperate with law enforcement entities.

The 1998 Foreign Exchange and Foreign Trade Control Law required travelers entering and departing Japan to report physically transported currency and monetary instruments exceeding one million yen (approximately US \$8,916) or its equivalent in any other foreign currency to customs authorities. The reporting requirement is virtually ignored by travelers, however, because there is no meaningful penalty (i.e. seizure of currency) for failure to report.

Japan is a party to the 1988 UN Convention and has adopted formal articles of ratification. In December 2000 Japan signed the United Nations Convention against Transnational Organized Crime. Japan is a member of and also chaired the Financial Action Task Force (FATF) from June 1998 to June 1999. The JAFIO joined the Egmont Group of FIUs in 2000. Japan is also a member of the Asia/Pacific Group against Money Laundering (APG). Japan has endorsed the September 1997 Basle committee's "Core Principles for Effective Banking Supervision."

Japan has not enacted laws that allow for sharing of seized narcotics assets with other countries. However, the Japanese Government cooperates with efforts by the US and other countries to trace and seize assets, and makes use of tips on the flow of drug-derived assets from foreign law enforcement efforts to trace funds and seize bank accounts.

The government of Japan should stringently enforce the Anti-Organized Crime Law, which will enhance Japan's ability to combat a wide range of money laundering activities. The Government of Japan has many legal tools and agencies in place to successfully detect, investigate and combat money laundering. Japan could strengthen its anti-money laundering regime by enacting penalties for non-compliance with the Foreign Exchange and Foreign Trade Law, adopting measures to share seized assets with foreign governments, and strongly enforcing banker "due diligence" provisions.

Jersey (Primary). The Bailiwick of Jersey, one of the Channel Islands, is a Crown Dependency of the United Kingdom. Jersey's sophisticated offshore services industry continues to be vulnerable to money laundering at the layering and integration stages. Jersey's financial sector is regulated by the Jersey Financial Services Commission (FSC), which has responsibility for Jersey's banks, building societies, insurance companies, and collective investment schemes. The Company Registry also falls under the purview of the FSC.

The Drug Trafficking Offenses Law of 1988 criminalized money laundering related to drug trafficking, and the Prevention of Terrorism Law of 1996 did the same for money laundering related to terrorist activity. The Investment Business (Jersey) Law 1998 brings investment advice, management, and dealing into regulation. The FSC is authorized to issue Codes of Practice, and to inspect institutions to ensure that businesses are in compliance. The reporting of suspicious transactions is mandatory under the drug trafficking and terrorism anti-money laundering laws. The Proceeds of Crime (Jersey) Law 1999 extended the predicate offenses for money laundering to all offenses that are punishable by at least one year in prison. Offenses committed abroad are covered in cases where the conduct, if it had occurred in Jersey, would have constituted a predicate offense. There is no exception for fiscal offenses.

In August 2000, the FSC issued an Anti-Money Laundering Guidance Update that provides guidance to the financial services industry, particularly in doing business with sensitive sources. The Guidance instructs Jersey financial institutions to familiarize themselves with each advisory issued by the US Department of Treasury. The Guidance also advises financial services businesses to exercise a higher degree of awareness of the potential problems associated with taking on politically sensitive clients from jurisdictions where bribery and corruption is widely considered to be prevalent.

In May 2000, Jersey approved the Financial Services (Extension) (Jersey) Law 2000. This legislation amended the Investment Business (Jersey) Law by extending Jersey's financial regulations to Jersey's approximately 300 trust and company services providers. Businesses that provide company administration, trustee, or fiduciary services are subject to the law. Secondly, in the course of providing such services, the person must provide any one of a number of services, such as being a company formation agent, a director, a secretary, the provider of registered office, or the provider of accommodation address or acting as trustee. Under the new law, the FSC

can visit businesses to ensure they are fully compliant with the law's standards.

The proposed International Co-operation (Jersey) Law would follow the Financial Services (Extension) (Jersey) Law, and provide Jersey with additional authority to assist other law enforcement agencies in pursuing criminals where an offense has been identified and is being investigated.

The Joint Police and Customs Financial Investigation Unit (JPCFIU) is responsible for receiving, investigating and disseminating suspicious transaction reports (STRs). The Unit includes Jersey Police and Customs officers, as well as a financial crime analyst. The JPCFIU is a member of the Egmont Group.

Jersey's large offshore industry includes approximately 20,000 "exempt companies," many of which act solely as asset holding companies; all are limited to transacting business outside Jersey. Exempt companies pay no Jersey taxes. The offshore industry also consists of bank deposits of US \$150 billion, mutual funds of US \$100 billion, insurance companies (which are largely captive companies), investment advice, dealing and management companies (US \$30 billion under management); and trust and company administration companies. The total value of funds administered in Jersey exceeds US \$300 billion. These services and facilities combine to offer other services such as private banking for high net worth individuals and corporate services, such as share option schemes and securitizations. Jersey does not distinguish between offshore and onshore banks. Its 74 banks are supervised by the FSC and can be accessed by both residents and non-residents alike.

The FIU recently redesigned the format of Jersey's STRs; filers may select from a broad list of suspected crimes such as drugs, terrorism, fraud, tax fraud, revenue fraud, insider dealing, corruption, unknown/undetermined, regulatory matters, and "other."

The Offshore Group of Bank Supervisors (of which Jersey has been a member since its formation in 1979) carried out a Financial Action Task Force (FATF)-style mutual evaluation of Jersey. The final report, approved in September 2000, concluded that Jersey was "close to complete adherence" to the FATF 40 Recommendations.

In 2000, the Financial Action Task Force (FATF) conducted a review of Jersey's anti-money laundering regime against 25 specified criteria. Jersey was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report noted the following about Jersey's anti-money laundering regime:

...Jersey...[has] in place a system for reporting suspicious transactions. Where the underlying criminal conduct is drug trafficking or terrorism, the obligation to report is a direct one. Where the underlying criminal conduct is another predicate offence, the reporting is an "indirect obligation"-failure to make a report potentially leaves one open to a charge of money laundering; making a report is a defence against such a charge....

...Jersey...[allows] certain intermediaries, and individuals, which are subject to the same anti-money laundering standards and supervision as financial institutions, to introduce business to banks and financial institutions on the basis that the introducers themselves verify the identity of the customer. In addition, the jurisdiction allows certain institutions based in certain overseas countries, subject to equivalent anti-money laundering systems, to introduce business, without separately verifying the identity of the client. Banks and other financial institutions in ...Jersey...are only required to know the name of the client but not to verify the identity separately. There is concern as to whether such a system is consistent with FATF Recommendations and provides sufficiently rigorous checks on the identity of clients of banks and financial institutions, especially in cases where the introducer is not a financial institution.

The lack of a stringent scheme to apply the new rules of customer identification for accounts opened prior to their entry into force is also a source of concern. The new rules for customer identification verification were introduced in...Jersey in 1999...

Application of the 1988 UN Drug Convention was extended to the Bailiwick of Jersey on July 7, 1997. Jersey formally endorsed the FATF recommendations on July 21, 1997.

Jersey has established a comprehensive anti-money laundering program, and has demonstrated its commitment to fighting financial crime. Jersey officials cooperate with international anti-money laundering authorities. Jersey should ensure full and timely implementation of its anti-money laundering legislation, and continue to monitor its anti-money laundering program, in order to deter criminals from using the island to launder money.

Jordan (Other). Jordan is not a regional financial center, and the Government of Jordan (GOJ) regulates foreign exchange transactions.

The GOJ has not yet criminalized any form of money laundering. Jordanian law enforcement officials report that some financial institutions cooperate with prosecutors' requests for information related to drug trafficking cases. Jordan's central bank has instructed financial institutions to be on the lookout for customers engaging in "dubious" transfers, and to be particularly careful when handling foreign currency transactions, especially if

the amounts involved are large or if the source of funds is in question. Depositors are not required to disclose the origin of large currency deposits or transactions.

Jordan is a party to the 1988 UN Drug Convention.

Kazakhstan (Other). Kazakhstan's relatively advanced financial infrastructure, combined with a significant organized crime presence, puts it at risk for money laundering. More than 200 organized crime groups with ties to similar groups in the United States and Europe are believed to exist in the country.

Kazakhstan has criminalized money laundering for narcotics and other serious crimes. However, inadequate financial controls make detection of money laundering difficult. Bank examiners are not trained to look for evidence of money laundering, but rather focus on traditional safety and soundness concerns. Furthermore, new banking laws went into effect in 2000 that require tax police and investigators to go through local prosecutors in order to obtain bank records. Records may be released only if the prosecutor deems an investigation is warranted.

The United States intends to continue to work closely with local authorities to provide Kazakhstani financial institutions with money laundering and fraud related training and assistance. The US will also continue to consider the government's request for a memorandum of cooperation in fighting economic crimes and fiscal offenses.

Kazakhstan is a party to the 1988 UN Drug Convention and in December 2000, it signed the UN Convention against Transnational Organized Crime.

Kenya (Other). Kenya's capital, Nairobi, has approximately 50 banks and is a regional financial center for East Africa. Kenya does not have an offshore sector.

The Government of Kenya (GOK) criminalized money laundering related to drug trafficking through Section 49 of the Narcotics Drugs and Psychotropic Substances (Control) Act, 1994. Narcotics-related money laundering is punishable by a maximum prison sentence of 14 years. The GOK has not made any arrests for money laundering; however, Kenyan authorities in 2000 seized the assets of several individuals implicated in a drug trafficking scheme.

The GOK requires banks to maintain records on customers who conduct large transactions. In 1999, the President of Kenya issued a statement denouncing money laundering and granted the Central Bank of Kenya authority to supervise all Kenyan banks. Kenya does not have in place strong cross-border currency controls.

Kenya is expected to sign the memorandum of understanding for the newly formed Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). In November 2000, GOK officials attended an anti-money laundering conference that was co-sponsored by the Government of Tanzania and the East Africa Community Secretariat. The conference's objectives were to help government officials identify different types of money laundering, and the threat that they pose to their country's financial institutions and economies.

Kenya is a party to the 1988 UN Drug Convention.

Korea (Democratic Peoples Republic of Korea) (Concern). The exact money-laundering situation within North Korea is unknown. What little that is known of North Korea's money laundering operations is that it continues to use Macau as a base of operation for money laundering and other criminal activities. The link with Macau provides international access to financial systems for individuals within the Democratic People's Republic of Korea (DPRK). North Korea's state-owned mint is also alleged to print counterfeit US dollars for laundering in Macau.

Korea (Republic of Korea) (Concern). The Republic of Korea (South Korea) has been used as a transit country for international narcotics trafficking. The Republic of Korea's domestic consumption of narcotics is also on the rise. Organized crime is beginning to gain a hold in the business sector due to corruption and cronyism. Estimates of the amount of money laundered vary. According to the Korea Institute for International Economic Policy (KIEP) study, some 48-147 trillion won (US \$8-33 billion) in funds were illegally laundered in 1998 (11-33% of GDP), although other figures set it between 54-169 trillion won (25 % of GDP). Another 25-50 trillion won in illegal capital offshore transfers are expected once the foreign exchange liberalization goes into effect in January 2001.

In 1995, the Republic of Korea criminalized the laundering of narcotics proceeds with the adoption of the Act against Illicit Trafficking in Drugs. An amendment made to this act in 1997 requires financial institutions to report transactions known to be connected to narcotics trafficking to the Prosecutor's Office. Two other pieces of legislation address money laundering in the Republic of Korea. The Act on Real Name Financial Transaction and Guarantee of Secrecy, enacted in late 1997, banned all financial transactions using anonymous, fictitious, and nominee names. The Anti-Public Corruption Forfeiture Act of 1994 provided for the forfeiture of the proceeds of assets derived from corruption.

The government's financial investigations continue to focus on preventing the illegal transfer of funds out of the country. On January 1, 2001, the Korean government implemented the second phase of foreign exchange liberalization. In conjunction with this, the Ministry of Finance and Economy (MOFE) launched a preparatory organization for a financial intelligence unit (FIU) on April 2000 and drafted two related laws. They are the so-called "Law for Reporting and Using Information of Specific Financial Transactions" and "Law for Prohibition and Punishment of Hiding Criminal Gains." These bills contain various anti-money laundering provisions; however, no action was taken on these measures in 2000.

The Republic of Korea is a party to the 1988 UN Drug Convention and in December 2000 signed the United Nations Convention against Transnational Organized Crime. The Republic of Korea is a member of the Asia/Pacific Group on Money Laundering. In 1998, the United States and the Republic of Korea signed an extradition treaty, which entered into force in December 1999. The United States and the Republic of Korea cooperate in judicial matters under a 1993 Mutual Legal Assistance Treaty, which entered into force in 1997.

The Republic of Korea needs to enact and enforce legislation that will criminalize the laundering of proceeds from all serious crimes, require the reporting of all suspicious transactions, and establish a financial intelligence unit to work with domestic and international authorities to combat the threat of money laundering.

Kuwait (Other). Kuwait is not a major regional banking sector; it has six commercial banks, two specialized banks, one Islamic bank, and a branch of a Bahrain-based bank. Kuwait does not have anti-money laundering legislation. Kuwait's central bank in June 1997 ordered domestic banks to take measures to prevent money laundering such as checking clients' identities and the nature of their business. Banks also are to inform the central bank of all cash deposits that exceed the equivalent of US \$33,000, and funds transfers that are "irregular." In 1999, the Government of Kuwait (GOK) proposed anti-money laundering legislation that has not yet been approved by Kuwait's National Assembly.

Kuwait is represented before the Financial Action Task Force (FATF) by the Gulf Cooperation Council. Kuwait in December 2000 became a party to the 1988 UN Drug Convention and signed the UN Convention against Transnational Organized Crime.

The GOK should develop and implement anti-money laundering legislation that meets accepted international standards.

Kyrgyzstan (Other). Kyrgyzstan is not a financial center, and money laundering is not considered a major problem. However, Kyrgyzstan has not criminalized money laundering and has no anti-money laundering legislation. The central bank has provisions that require customer identification procedures and make an exception to bank secrecy rules for suspicious transaction reporting, but these provisions are believed to be generally ignored by the commercial banks. Oversight of the banking sector remains weak and Kyrgyzstan's law enforcement agencies do not have the resources to conduct effective financial investigations.

The major sources of illegal proceeds remain narcotics trafficking, embezzlement of foreign aid by government officials, smuggling of consumer goods, official corruption and tax evasion.

Kyrgyzstan is a party to the 1988 UN Drug Convention and in December 2000, it signed the UN Convention against Transnational Organized Crime.

Laos (Other). Laos is not a regional financial center and has no anti-money laundering legislation. Effective anti-money laundering legislation will first require an underlying body of banking law and regulation, most of which currently does not exist. The country does have strict laws on the export of its currency, the Lao kip. The proceeds of drug trafficking most likely are sent to other countries in the region through alternative remittance systems.

The Government of Laos (GOL) is a party to the 1971 UN Convention on Psychotropic Substances and has stated its goal to become a party to the 1988 UN Drug Convention. The GOL is working with the United Nations Office for Drug Control and Crime Prevention and other foreign consultants to develop the fundamental regulatory framework necessary to bring Laos into compliance with the 1988 Convention. In the interim, the GOL sends its officials to relevant Association of Southeast Asian Nations (ASEAN) conferences on regional anti-money laundering practices. In addition, GOL officials have participated in anti-money laundering and white-collar crime training at the International Law Enforcement Academy (ILEA) in Bangkok.

Latvia (Concern). Money laundering continues to be a major concern in Latvia, largely because Russian organized crime groups use Latvian banks to launder money. Internet gambling may also increase the risk for money laundering.

Money laundering was criminalized for all serious crimes in 1998. There are requirements for customer identification, the maintenance of records on all transactions, and the reporting of large cash transactions (40,000 lats, or approximately US \$64,600) and suspicious transactions to the Control Service, which is Latvia's financial intelligence unit. Between June 1998 and January 2000, the Control Service received 1,438

disclosures.

In May 2000, a European Union (EU) inspection team visited Latvia and conducted a study of their money laundering situation. The team's report is said to be very positive, although the results cannot be disclosed until the report is final. The final report is expected early in 2001.

On November 7, 2000, the President of Latvia promulgated a law for a public regulator. Previously, the central bank regulated banks, with separate regulators for the Securities & Exchange Commission and insurance companies. The new law establishes one, united regulator, which will bring Latvia in line with the British/Swedish model. This change will take effect in July 2001.

This year, a World Bank report rated all Eastern European countries for corruption. Latvia was rated positively in terms of administrative corruption, but negatively regarding state capture (because of conflict of interest of high level officials.) Latvia is establishing an independent anticorruption unit to deal with corruption among high level officials. They are working with OECD on a joint antibribery convention.

Latvia's financial intelligence unit (FIU) is the Office for the Prevention of the Laundering of Proceeds Derived from Criminal Activity (Control Service). The Control Service is a member of the Egmont Group. In addition to its existing software, the Latvian FIU has created new software that collates the data from the internal Control Service database containing information on customers who have conducted unusual or suspicious transactions.

Interagency cooperation between Latvian law enforcement agencies tends to be best at the highest governmental levels, but weaker at the working level. Much of the problem stems from lack of financial, material, and human resources.

Latvia is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV) and, as a member, underwent a mutual evaluation in March 2000. A Mutual Legal Assistance Treaty has been in effect between the US and Latvia since 1999. Latvia is a party to the UN Drug Convention and in December 2000 Latvia signed the United Nations Convention against Transnational Organized Crime.

The Government of Latvia should research ways to improve cooperation between Latvian law enforcement agencies at the working level. The key to Latvia's success in combating money laundering will be based on the swiftness and forcefulness with which they continue to strengthen their anti-money laundering program.

Lebanon (Primary). The current legal, supervisory, and regulatory systems of Lebanon create significant opportunities for the laundering and protection of the proceeds of crime. Weaknesses in these systems allow criminals to evade effective investigation and punishment. Sources of laundered funds include narcotics, counterfeiting and smuggling. Laundering in Lebanon takes place through the layering of transactions in banks and through the purchase of property and businesses. The Lebanese banking system is frequently used by Syrians who find it difficult to conduct transactions in their own country because of heavy government restrictions. Lebanon's commitment to bank secrecy and the absence of certain key supervisory and enforcement mechanisms aimed at preventing and detecting money laundering increase the possibility that transactions involving Lebanese entities and accounts will be used for illegal purposes. Lebanon has not to date prosecuted or investigated any cases of money laundering.

An antinarcotics law that came into effect in 1998 criminalized drug-related money laundering, but it is considered inadequate since it does not require the reporting of suspicious or large transactions. It does provide for asset seizure and for piercing bank secrecy in very limited circumstances.

The Banking Control Commission (BCC) supervises and examines commercial banks. BCC examiners may not review individual deposit accounts, and have no access to depositors' names. They are to report any "unusual" activity to the central bank. A customer may waive bank secrecy by giving permission for a third party to review account information. International firms, as required by law, audit ninety percent of commercial banks. Non-bank financial institutions such as exchange houses, stock brokerages, money couriers and insurance companies are not required to report unusual activity, but the amount of money they handle is not significant.

Citing the lack of a legal anti-money laundering framework to combat money laundering, in June 2000 the Financial Action Force (FATF) named Lebanon among its list of 15 jurisdictions that were non-cooperative in international efforts to combat money laundering. The report criticized Lebanon's strict bank secrecy that restricts access to relevant information, both by administrative and investigative authorities, and also compromises international cooperation.

The United States (US) Treasury has issued an advisory to US financial institutions, indicating they "should give enhanced scrutiny to any transaction originating in or routed to or through Lebanon, or involving entities organized or domiciled, or persons maintaining accounts in Lebanon." In addition to the concerns outlined in the FATF report, the advisory also noted the fact that money laundering is only a crime in Lebanon with respect to narcotics and public corruption, and that financial institutions operating in Lebanon are not required to

report suspicious transactions.

Lebanese officials have indicated an awareness of deficiencies in Lebanon's anti-money laundering systems, while maintaining that Lebanon is not a significant venue for such illicit activity. The Lebanese cabinet approved a draft law in December 2000 addressing some of the deficiencies outlined in the advisory. The draft law broadens the definition of money laundering to include proceeds obtained from organized crime, illegal arms trafficking, embezzlement of public funds, and counterfeiting of currencies and official documents. If passed by parliament and implemented effectively, the law would significantly strengthen Lebanon's ability to combat money laundering by:

- * Requiring banks, financial institutions, and non-banking financial institutions—such as exchange houses, insurance and leasing companies, mutual funds, real estate developers, and merchants of high-value commodities—to (a) ascertain through official documents the identity and address of their clients and (b) maintain official records of clients and transactions for a period of no less than five years.
- * Permitting the government to confiscate the proceeds derived from illegal arms trafficking, embezzlement of public funds and counterfeiting of currencies and official documents.
- * Imposing prison terms and cash penalties on persons who disguise, conceal, or participate in money laundering operations or fail to report suspicious transactions.
- * Establishing an independent "Special Investigation Commission" and "Financial Investigation Unit" to investigate money laundering operations. The Special Investigation Commission would have the power to lift Lebanon's stringent bank secrecy laws in order to find the source of illicit proceeds.

In 2000, the Lebanese Bankers Association also made mandatory its formerly voluntary system for self-regulation, the Due Diligence Convention, a set of requirements designed to combat the laundering of money obtained from illegal drug trade. The Convention addresses such issues as customer identification and record keeping. According to the Lebanese Minister of Finance, the Banking Control Commission has formed an anti-money laundering unit, but it is still not operational and it is unclear what its function will be.

In 2000 Lebanese authorities also repealed a law authorizing offshore banking and required all banks to establish internal audit units and procedures. Lebanon has informed the United States that it will officially terminate its membership in the Offshore Group of Banking Supervisors in 2001.

Lebanon is a party to the 1988 UN Drug Convention. However, the Lebanese government expressed reservations over the sections of the Convention pertaining to bank secrecy. Lebanon has endorsed the Basle Core Principles and is in the process of implementing them.

Lebanon should enact comprehensive anti-money laundering legislation that meets international standards. Specifically, Lebanon should criminalize the laundering of proceeds from all serious crimes, and require financial institutions to report suspicious transactions to a central authority that will act on these reports and share this information with foreign governments.

Liberia (Other). Liberia is not a major financial center. However, the country increasingly has become a transshipment point for illicit drugs, diamonds, and other commodities. Liberia's offshore activity is concentrated in the ship registry business. Offshore companies are permitted to issue bearer shares. Liberia reportedly has 16 banks, but only a small number are open to the public.

In November 2000, Liberia was one of 14 West African countries that created the Intergovernmental Group of Action against Money Laundering (GIABA).

Liberia is not a party to the 1988 UN Drug Convention.

Liechtenstein (Primary). The Principality of Liechtenstein is an important financial center, primarily because of its well-developed offshore financial services sector. The country's low tax rate, loose incorporation and corporate governance rules, and traditions of strict bank secrecy have contributed significantly to the ability of financial intermediaries in Liechtenstein to attract funds from outside the country's borders. The same factors have made the country attractive, and vulnerable, to money launderers.

Liechtenstein has chartered 15 banks, three non-bank financial companies, and 16 public investment companies, as well as insurance and reinsurance companies. Its 230 licensed fiduciary companies and 60 lawyers serve as nominees for, or manage, more than 75,000 entities (primarily corporations, anstalts, or trusts), most for non-Liechtenstein residents; approximately one-third of these entities hold the controlling interest in other entities, chartered in countries other than Liechtenstein. The Principality's laws permit the corporations it charters to issue bearer shares, and until recently at least, the Principality's banking laws permitted banks to issue numbered accounts (about whose true ownership only at most a handful of banking officials know).

Fees paid to Liechtenstein by the corporations and other entities it charters for non-residents account for at

least 35 per cent of the Principality's revenues. Liechtenstein does not tax funds earned by its domiciliary corporations from sources outside of Liechtenstein (a fact that increases its attractiveness to offshore customers for financial services), and the revenue flow from corporation fees allows Liechtenstein's taxes on income earned within the country to be relatively low by developed country standards.

Banks, finance companies, and investment businesses chartered or licensed to do business in Liechtenstein are supervised by the Principality's Financial Services Authority (FSA). The FSA is responsible for supervising all banks and fiduciaries licensed to operate in Liechtenstein and has the authority to conduct on-site spot checks and request information as required; however, reliance is placed on a financial institution or intermediary's approved external auditors for regular compliance examinations and for monitoring implementation of anti-money laundering controls (for example, with respect to an institution's observance of its due diligence obligations).

Drug-related money laundering has been a criminal offense in Liechtenstein since 1993, but the first general anti-money laundering legislation was added to Liechtenstein's laws in 1996. Although the 1996 legislation sought to apply some money laundering controls to financial institutions and intermediaries operating in Liechtenstein, the anti-money laundering regime embodied in the legal, supervisory, and regulatory system of Liechtenstein at that time suffered from serious systemic problems and deficiencies.

In June 2000, the Financial Action Task Force (FATF) named Liechtenstein as one of the 15 countries that had inadequate anti-money laundering regimes and failed to cooperate in international efforts to fight money laundering. The FATF report noted a number of deficiencies in the Principality's anti-money laundering regime, including: inadequate customer identification rules; a limited and inadequate suspicious transaction reporting system; the absence of a financial intelligence unit; inadequate and ineffective laws and procedures governing international cooperation and the exchange of information to assist in criminal investigations by officials of other countries; and an inadequate dedication of resources overall to anti-money laundering programs.

In July 2000, the United States Department of the Treasury issued an advisory on "Transactions Involving Liechtenstein." That document advised banks and other financial institutions operating in the United States "to give enhanced scrutiny to all financial transactions originating in or routed to or through" Liechtenstein, or "involving entities organized or domiciled, or persons maintaining accounts, in Liechtenstein." Other countries that participate in the FATF issued similar advisories concerning Liechtenstein.

After the FATF issued its report, the Government of Liechtenstein (GOL) took important legislative and administrative action to improve its anti-money laundering regime. The Principality amended its Due Diligence Act, and enacted a new law governing Mutual Legal Assistance in Criminal Matters, on September 15, 2000. It also issued an Executive Order, on December 5, 2000, concerning implementation of the changes in the Due Diligence Act, as well as an Ordinance to establish a financial intelligence unit, and it has revised relevant portions of its Criminal and Criminal Procedure Codes, and its Narcotics Act (1993).

The latest legislative and regulatory changes became effective January 1, 2001. They affect the range of Liechtenstein's law criminalizing money laundering and the obligations of financial institutions to identify customers, to establish due diligence procedures relating to potentially questionable customer activity, and to report suspicious activity. The FSA issued a Directive 2001/1, "Concerning Indication of Money Laundering," in January 2001, which is intended "to sensitize financial intermediaries" to the need to recognize situations that call for further inquiry by intermediaries under the changes in Liechtenstein's due diligence legislation.

The changes to Liechtenstein's Criminal Code add a wide range of predicate crimes to the definition of money laundering and make other improvements to the Code's provisions. Of particular importance is a provision enacted in December 2000 that broadens Art. 165 of the Criminal Code to cover "own funds" money laundering offenses in non-narcotics offenses. However, Liechtenstein also added language to Art. 165 prohibiting punishment for money laundering of an individual who had already been punished for committing the relevant predicate offense. The latter provision is an unnecessary restriction that weakens the government's anti-money laundering enforcement powers. It is important that Liechtenstein fully apply its anti-money laundering efforts to own funds (as well as other forms of) money laundering.

The amendments to the Due Diligence Act eliminate a provision that allowed banks to rely on lawyers and trustees for identifying their clients and now requires banks and all other financial intermediaries to identify their clients and the beneficial owners of accounts. (Transactions of non-clients involving CHF 25,000 are exempted by statute from the requirement.) These "know your customer" provisions are effective January 1, 2001, although financial intermediaries are provided with a two year grace period to bring existing accounts into compliance. Liechtenstein's Banker's Association, however, requires that its members comply with the new rules within one year.

Under Liechtenstein's former law, financial institutions did not have to report suspicious transactions unless they had "a strong suspicion" of money laundering and a basis for believing that the funds were derived from narcotics trafficking. The new law permits financial institutions to report suspicious transactions for a broad

range of offenses and based on a suspicion. The new provisions are potentially weakened, however, by the fact that before filing a suspicious transactions report (STR), the financial institution must clarify the economic background and purpose of the transaction as well as the origin of the assets, and then file the report only if the suspicion cannot be eliminated. Another perceived weakness in the law is a limitation on the "no tipping off" period that follows the filing of a report, so that financial institutions are permitted eventually to advise customers that they were the subject of a STR. A great deal will thus depend upon the manner in which the new suspicious transaction reporting rules are administered and enforced by Liechtenstein authorities.

The new laws also address the independence of accountants reporting to the FSA on anti-money laundering compliance. Future audits of compliance will cover both systems and individual transactions; individual transactions were not previously included in the permissible scope of compliance audits. The audits must now be conducted by independent accountants who are not the normal external auditors of the company, in contrast to the previous practice (under which the same auditors were routinely engaged). Furthermore, the results of the audits will be provided to the FSA for review.

In December 2000, Liechtenstein created a financial intelligence unit (FIU) within the FSA, and formed a state police unit, in May 2000, to combat white-collar crime. The FIU is scheduled to become an independent Liechtenstein agency later this year and plans to apply to join the Egmont Group. The Austrian Federal Police are currently training and assisting the Liechtenstein state police in connection with the work of the special police unit focusing on financial crime. The government has also hired additional prosecutors and judges.

The new law on mutual legal assistance took effect on November 6, 2000. The law streamlines the procedure for dealing with foreign requests for legal assistance and reduces from 12 to three the number of permitted appeals from decisions by the Liechtenstein authorities. Liechtenstein has recently appointed three new prosecutors and four new investigating judges who will concentrate initially on dealing with the backlog of cases where legal assistance requests have not yet been executed. Parliament has also approved the appointment of four new judges to process extradition cases through the courts.

The GOL appointed a special prosecutor, in early 2000, to investigate allegations of government collusion in money laundering. In a report in August 2000, the special prosecutor cited serious shortcomings in Liechtenstein's legislation. He noted that Liechtenstein courts had failed to bring money laundering cases to trial and had been extremely slow in responding to mutual legal assistance requests from other governments. However, the report did not substantiate any allegations of government collusion. The investigations led by the special prosecutor did, however, result in criminal charges being brought against several individuals. In May 2000, six officers and employees of fiduciary firms suspected of money laundering, including an opposition member of Liechtenstein's parliament, were arrested.

Liechtenstein has in place legislation to seize, forfeit, and share forfeited assets with cooperating countries. During 2000, Liechtenstein authorities blocked more than US \$120 million smuggled out of Nigeria by former Nigerian dictator Sani Abacha. The final figures are expected to exceed US \$150 million in frozen assets.

Liechtenstein is a member of the Council of Europe Select Committee on Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), and has signed the 1990 Council of Europe Convention on Laundering, Search and Confiscation of Proceeds from Crime. (A September 1999 mutual evaluation of Liechtenstein's anti-money laundering programs by the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures in September 1999 reflected many of the same criticisms voiced nine months later by the FATF.) In December 2001, Liechtenstein signed the UN Convention against Transnational Organized Crime. Liechtenstein has endorsed the Basle Committee Core Principles for effective banking supervision. In April 2000, Liechtenstein and the United States agreed to begin negotiation of a Mutual Legal Assistance Treaty (MLAT); those negotiations are expected to begin in 2001.

The GOL has adopted a number of new anti-money laundering measures in 2000 that could dramatically enhance the effectiveness of the country's anti-money laundering program. The GOL's success in combating money laundering will be contingent on its political will and on how forcefully and effectively the Principality implements its anti-money laundering program.

Lithuania (Other). Lithuania is vulnerable to money laundering; smuggling, narcotics trafficking, capital flight, profit concealment, and tax evasion most likely are the major sources of illicit funds flowing through Lithuania's financial system. Russian organized crime groups reportedly have used financial institutions in the Baltics to launder money.

Lithuania amended its criminal code in 1997 to criminalize money laundering related to all crimes. The Law on the Prevention of Money Laundering (LPML), which entered into force in January 1998, requires covered financial institutions to report suspicious transactions; identify customers whose transactions exceed litas (LTL) 50,000 (approximately US \$12,500) or equivalent in foreign currency; maintain a register of customers who engage in transactions that exceed LTL 50,000 or equivalent in foreign currency; and retain certain documents for a minimum of 10 years. The LPML also specifies information that must be reported to the tax

police. The Bank of Lithuania (BOL) issues currency transaction reporting requirements and regulations, and is required to share money-laundering violation information with law enforcement and other state institutions upon request. Non-bank financial institutions operate under guidelines similar to banks. The BOL has the authority to examine the books, records, and other documents of all financial institutions.

The Money Laundering Prevention Division (MLPD) of the Tax Police is Lithuania's financial intelligence unit. In 2000, the MLPD initiated three investigations. The United States provides anti-money laundering training to Lithuanian authorities.

Lithuania is a party to the 1988 UN Drug Convention, and in December 2000 signed the UN Convention against Transnational Organized Crime. There is a mutual legal assistance treaty (MLAT) between the United States and Lithuania, which entered into force in 1999. Lithuania is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), and the MLPD is a member of the Egmont Group.

Luxembourg (Primary). Luxembourg is a major world financial center, with over 200 international financial institutions that benefit from the country's strict bank secrecy laws and operate an unrestricted range of services and activities. The existence of bank secrecy laws, and the size and sophistication of Luxembourg's financial center, pose major risks for money laundering through Luxembourg's banks and offshore financial industry. Nevertheless, the Government of Luxembourg (GOL) plays an active role in the European Union (EU) efforts to combat money laundering.

Two laws, the Law of 7 July 1989, updated in 1998, and the Law of 18 December 1993, criminalize the laundering of proceeds for all offenses. These anti-money laundering laws also implement the customer identification, record keeping, and suspicious transaction reporting requirements mandated by the EU anti-money laundering directive.

The Parquet de Luxembourg/Service Anti-Blanchiment, which reports to the Public Prosecutor, serves as Luxembourg's financial intelligence unit (FIU), receiving and analyzing financial disclosures. The FIU is a member of the Egmont Group and has information sharing agreements with Belgium and France.

The Government of Luxembourg licenses offshore banks, non-bank financial institutions and international business companies (IBCs). Approximately 200 banks operate as "universal banks," with an unrestricted range of services. Foreign institutions seeking to become established in Luxembourg must demonstrate prior establishment in a foreign country, and meet stringent minimum capital requirements. Banks must undergo annual audits, but only the Commissioner of Bank Control can gain access to the identity of beneficial owners of accounts. In 1999 Luxembourg had 1,650 offshore investment funds, 118 insurance companies, 279 reinsurance companies and approximately 68,000 IBCs. Companies must maintain a registered office in Luxembourg and a government registry lists company directors. However, there is no requirement to identify the beneficial owner of the business and bearer shares are allowed.

Luxembourg is a party to the 1988 UN Drug Convention, and in December 2000 Luxembourg signed the United Nations Convention against Transnational Organized Crime. Luxembourg is a member of the Financial Action Task Force (FATF) and the Organization for Economic Cooperation and Development (OECD). Luxembourg and the United States exchanged instruments of ratification for a Mutual Legal Assistance Treaty (MLAT) on December 20, 2000. The MLAT entered into force in February 2001.

The GOL has enacted laws and adopted practices that help to prevent the abuse of its bank secrecy laws, which are consistent with those of other EU members. However, legal provisions continue to limit or prevent access to information about beneficial ownership of accounts and businesses, which may hinder efforts to combat money laundering. The GOL should address these issues, and strengthen enforcement to prevent international criminals from abusing Luxembourg's financial sector.

Macau (Concern). Macau reverted to Chinese sovereignty in December 1999, and became a Special Administrative Region (SAR) of the People's Republic of China with substantial autonomy in all areas except defence and foreign affairs. The new Macau SAR government is implementing law enforcement reforms and is expected to restructure the important gambling industry. Macau has passed anti-money laundering legislation, but there is no active enforcement effort in practice. In a positive step, the Macau SAR government stated in December 2000 that it has agreed to a joint review of its anti-money laundering regime by the Offshore Group of Banking Supervisors (OGBS) and the Asia Pacific Group on Money Laundering (APG). Macau is an observer jurisdiction of the APG.

Macau's free port, offshore financial services, lack of foreign exchange controls, disaggregated law enforcement agencies, problematic (albeit improving) law and order situation, and nascent anticorruption efforts create an environment conducive to money laundering. Macau serves as a gateway to China, and can be used as a transit point to remit funds and criminal proceeds to and from China, Hong Kong, and other Asian countries. Organized crime groups based in Macau are believed to launder their proceeds through joint ventures and real estate purchases in China, or through cross border cash transfers, front companies, real

estate purchases, currency exchanges, and alternative remittance systems. Gaming and related services play a critical role in the Macau economy. They account for approximately 40 percent of GDP. Direct taxes from gambling accounted for 43 percent of government revenue in 1999. Organized crime groups are associated with the gambling industry through such activities as racketeering, loan sharking, and prostitution. As a result, it is likely that the casino industry in particular provides an avenue for the laundering of illicit funds.

Macau has enacted three laws that deal with money laundering. These are: the Macau Financial System Act, approved by Decree Law Number 32/93/M on July 5, 1993; the Law on Organized Crime, approved by Decree Law Number 6/97/M on July 30, 1997; and Decree Law Number 24/98/M of June 1, 1998, which established preventive anti-money laundering measures.

The Macau Financial System Act lays out regulations to prevent the use of the banking system for money laundering. It requires the mandatory identification and registration of financial institution shareholders, customer identification requirements, and external auditing. These regulatory measures are applicable to credit institutions and financial companies headquartered in Macau and branches of credit institutions headquartered abroad. In June 1996, the Monetary and Foreign Exchange Authority of Macau issued anti-money laundering guidelines for banks. External audits include reviews of compliance with anti-money laundering statutes.

Article 10 of the Law on Organized Crime criminalizes money laundering for the proceeds of all domestic and foreign criminal activities and contains provisions for the freezing of suspect assets and instrumentalities of crime. Although legal entities may be civilly liable for money laundering offenses, their employees may be criminally liable. The preventive measures in Decree Law Number 24/98/M set forth requirements for reporting suspicious transactions to the Judiciary Police and other appropriate supervisory authorities. These reporting requirements apply to all legal entities supervised by the Monetary Authority, the Inspectorate of Gaming, the Department of Finance, and the Inspectorate of Economic Activities. These entities include pawnbrokers, antique dealers, art dealers, jewelers, and real estate agents.

Macau does not have a standard suspicious transactions report form. Only a minimal number of suspicious transactions reports have been filed since the implementation of Decree Law 24/98/M. None has led to prosecution. Concern in the banking industry about possible retribution from criminal elements is apparently one reason for the small number of suspicious transactions reports from this sector. There have been no reports filed on possible suspicious transactions occurring in the casinos. The Inspectorate of Gaming does not play an active role in preventing money laundering in the casinos. Especially removed from official scrutiny are activities and transactions that occur within quasi-private VIP rooms that cater to clients seeking—and willing to pay for—anonymity within Macau's gaming establishments. Given the important economic role of the casino industry, there is a concern in Macau about the economic effects of any efforts to combat money laundering. Macau has no financial intelligence unit.

The Monetary and Foreign Exchange Authority of Macau started participating in meetings of the Asia/Pacific Group on Money Laundering (APG) five years ago, but Macau is not an official member. Macau is a member of the OGBS.

Macau offers two types of limited liability company formation that have implications for money laundering: public corporations with the suffix designation "SARL" and quota companies with suffix designation "Lda." Quota companies are more popular with foreign investors. Both types of limited liability companies allow for shielding the identity of beneficial owners since shareholders in quota companies may be nominees and SARLs are allowed to issue bearer shares. Although these commercial entities are subject to Macau's anti-money laundering legislation, the characteristics allowing for anonymity are attractive for money laundering activities.

The Macau SAR government should place increased priority on the anti-money laundering issue and increase resources devoted to enforcement. It should also consider adopting more effective anti-money laundering legislation, including measures specifically designed to combat money laundering in the casinos and measures that provide for bulk currency and threshold reporting. It should also review provisions in its company formation statutes that prevent authorities from identifying the beneficial owners of businesses that might serve as conduits for money laundering.

Macedonia, Former Yugoslav Republic of (Other). The Former Yugoslav Republic of Macedonia (FYROM) is not a regional financial center. The country's economy is heavily cash-based because of the population's distrust of the banking, financial, and tax systems. Money laundering in the FYROM most likely is connected to financial crimes such as tax evasion, financial and privatization fraud, bribery, and corruption rather than narcotics trafficking.

Article 273 of the FYROM's criminal code, which came into force in 1996, appears to criminalize money laundering related to all crimes. The legislation specifically identifies narcotics and arms trafficking as predicate offenses, and contains an additional provision that covers funds that are acquired from other punishable actions. The Ministry of Finance reportedly has proposed legislation that would require covered

financial institutions to identify customers; to retain records for a minimum of five years; and to report suspicious transactions. The legislation also would establish a financial intelligence unit (FIU).

The FYROM is a member of the Council of Europe's (COE) Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), and in October 1999, underwent a mutual evaluation by the group. The US Government has provided anti-money laundering training to FYROM law enforcement authorities. The FYROM is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Madagascar (Other). Madagascar is not a regional financial center. Article 102 of Madagascar's 1997 drug law criminalized money laundering related to drug trafficking.

Madagascar is a party to the 1988 UN Drug Convention, and in December 2000, it signed the UN Convention against Transnational Organized Crime.

Malawi (Other). Malawi has one of the least-developed economies in the world. The country has seven licensed commercial banks (five of which are operational), which are supervised by the Reserve Bank of Malawi, Malawi's central bank. In 1994, the Government of Malawi eliminated its foreign exchange controls.

In 2000 Malawi became a member of the newly formed Eastern and Southern African Anti-Money Laundering Group (ESAAMLG). Malawi is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Malaysia (Concern). Malaysia is not an important regional financial center and the extent of money laundering in Malaysia is unknown. However, Malaysia offers a wide range of financial services (in the traditional financial sector as well as through alternative remittance systems) that are potentially attractive to money launderers. In particular, the country's offshore center, Labuan, has conditions conducive to money laundering and other financial crimes. The Government of Malaysia has indicated its desire to enact comprehensive anti-money laundering legislation in 2001.

The Dangerous Drugs (Forfeiture of Property) Act 1988 (FOPA) and the Anticorruption Act 1998 criminalized the laundering of proceeds from these crimes, however, neither statute has been successfully used in a criminal case. The FOPA also authorizes assistance to foreign countries in relation to matters connected with drug trafficking. The Government of Malaysia (GOM) has a well-developed regulatory framework, including licensing and background checks, to oversee onshore financial institutions. In 1993, the Bank Negara Malaysia (BNM), the Malaysian central bank, issued "Guidelines on Money Laundering and 'Know Your Customer Policy'" to educate financial institutions on money laundering issues. Under the guidelines, banks should identify customers, maintain transaction records, train their staffs on money laundering controls, and report suspicious transactions to the BNM. The guidelines also provide a list of suspicious indicators to help banks determine which transactions to report. However, these guidelines do not have the force of law.

Notwithstanding Malaysia's strict bank secrecy laws, Malaysian authorities do have access to banking information when conducting a criminal investigation. However, the lack of a comprehensive anti-money laundering statute makes money laundering an area of concern. Malaysia does have an asset forfeiture law that allows seizure of criminal assets. Led by the BNM, Malaysia is now actively engaged in drafting a comprehensive anti-money laundering bill, and has requested technical assistance from the US government.

In 1998, Malaysia imposed foreign exchange controls that restrict the flow of the local currency, the ringgit, to outside Malaysia. Some smugglers of currency have since been arrested. Under these exchange control laws, onshore banks must note cross-border transfers of over 10,000 ringgit (approximately US \$2,630).

The potential for money laundering activities at the Malaysian offshore banking facility in Labuan is of particular concern. The Labuan Offshore Financial Services Authority (LOFSA, often referred to simply as "Labuan") provides a wide range of financial services such as offshore banking and trust partnerships, which are restricted to the fields of accounting, actuarial science, engineering and law. There are 60 offshore banks (52 foreign-owned), approximately 79 insurance companies, 4 mutual funds, 6 fund managers, and 20 trust companies operating in Labuan. There are no reporting requirements for individual financial transactions. Because there is no requirement to register offshore trusts, their number is not known. Nominee accounts are permitted in Labuan, as are nominee directors of Labuan's approximately 2,574 international business companies equivalents. There is no requirement to disclose the beneficial owner of a corporation. There is, however, a government registry of corporate directors and shareholders, although this information is not available to the public. Malaysia has several pieces of legislation dealing specifically with Labuan.

Malaysia has no bilateral agreements for the sharing of information on money laundering, but does allow foreign countries to check the operations of their banks' branches. Malaysia is a party to the 1988 UN Drug Convention. In 2000, Malaysia joined the Asia Pacific Group on Money Laundering (APG) and agreed to participate in an APG mutual evaluation in July 2001. Malaysia will host the next plenary of the APG in May 2001. Malaysia has endorsed the Basle Committee "core principles" and adheres to them. Malaysia became a

member of the Offshore Group of Banking Supervisors (OGBS) in 1999.

The Government of Malaysia (GOM) should enact and enforce comprehensive anti-money laundering legislation. Further expansion of Malaysia's participation in multinational anti-money laundering organizations would also be helpful in ensuring that money launderers do not abuse Malaysian financial institutions, including those in Labuan.

Maldives (Other). There is no significant financial activity or evidence of money laundering in the Maldives. However, the Maldives does not have in place legislation that specifically addresses money laundering or procedures or policies such as a suspicious transaction reporting system that would detect money laundering.

Although some officials in the Government of the Maldives want to establish an offshore financial center, the Maldives's antiquated banking laws and regulations, and currency controls have hindered progress in this area.

The Maldives became a party to the 1988 UN Drug Convention in September 2000.

Mali (Other). Mali is one of the world's poorest countries, and has a poorly developed financial infrastructure. In November 2000, Mali was one of 14 West African countries that attended a meeting to establish the Intergovernmental Group of Action Against Money Laundering (GIABA).

Mali is a party to the 1988 UN Drug Convention.

Malta (Other). Malta does not appear to have a serious money laundering problem. The Maltese Financial Services Center (MFSC), the regulatory agency responsible for licensing new banks and financial institutions, also monitors financial transactions going through Malta.

The GOM criminalized money laundering in 1994. Maltese law imposes a maximum fine of approximately US \$2 million and/or 14 years in prison for those convicted. Also in 1994, the Central Bank of Malta issued the Prevention of Money Laundering Regulations, applicable to financial and credit institutions, life insurance companies, and investment and stock firms. These regulations impose requirements for customer identification, record keeping, the reporting of suspicious transactions, and the training of employees in anti-money laundering topics. In 1996, the central bank issued guidance notes to assist the banking sector in implementing the regulations. In accordance with the regulations, suspicious transaction reports are filed with the competent authority that supervises an institution (in the case of banks, the Maltese central bank), which then forwards them to the Economic Crimes Unit of the Maltese Police. The GOM is establishing a financial intelligence unit (FIU) to receive and analyze these reports.

Bank secrecy laws are completely lifted by law in cases of money laundering (or other criminal) investigations. Bearer shares or anonymous accounts are no longer permitted in Malta.

Malta is a member of the Offshore Group of Banking Supervisors but has publicly announced that offshore business will completely cease by 2004. No further offshore registration of banks or IBCs has been possible since January 1997. In 2000, four offshore banks continued to operate (two of which are subsidiaries of local banks) and 757 IBCs, which continued to act as nominee companies, were registered. The FATF, which reviewed Malta's financial regime via the FATF Non-cooperative Countries and Territories exercise, did not determine that Malta was a non-cooperative jurisdiction but did urge Malta "to accelerate the phasing-out of the nominee company system."

In July 2000, the FBI gave a formal training course in basic money laundering and asset forfeiture investigations to 40 GOM officers of the Economic Crimes Unit who will be part of the new FIU.

Malta is a member of the Council of Europe's Select Committee of Experts on the Subject of Anti-Money Laundering Measures (PC-R-EV). Malta is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Marshall Islands (Concern). The Republic of the Marshall Islands, located in the North Pacific Ocean, in a group of atolls, with a population of approximately 65,000, is a constitutional government in free association with the United States. In June 2000, the FATF listed the Marshall Islands as a non-cooperative jurisdiction. In response, the Marshall Islands has adopted comprehensive anti-money laundering legislation to address most of the deficiencies identified by the FATF. However, inadequate commercial law requirements still leave the Marshall Islands vulnerable to financial crime and money launderers.

Marshall Island non-resident corporations (NRCs)—the equivalent of international business companies (IBCs)—are of the greatest concern. The Association Law of the Republic of the Marshall Islands of 1990 is the legislative basis for establishing NRCs, of which, by December 2000, there were reportedly 4000 registered, half of which are companies formed for the purpose of registering ships. NRCs are allowed to offer bearer shares. Corporate officers, directors, and shareholders may be of any nationality and live anywhere, and their names need not be disclosed on incorporation records. Corporate entities may be listed as officers and shareholders and although NRCs must maintain a registered office in the Marshall Islands, the Associations

Law of 1990 allows for corporations to transfer domicile into and out of the Marshall Islands with relative ease. Marketers of offshore services via the Internet promote the Marshall Islands as a favored jurisdiction for establishing NRCs. All NRCs are formed and registered by an American company that has the exclusive contract to do so on behalf of the GRMI. In addition to NRCs, the Marshall Islands offers non-resident trusts, partnerships, unincorporated associations, and domestic and foreign limited liability companies. Under the law of the Republic, NRCs are prohibited from engaging in any "financial institutions" type of activities such as those defined in section two of the Banking (Amendment) Act 2000. Offshore banks and insurance companies are not permitted in the Marshall Islands.

Citing many of the deficiencies in its anti-money laundering program, the FATF in June 2000 listed the Marshall Islands as one of 15 jurisdictions that were non-cooperative in international anti-money laundering efforts. The report noted:

It lacks a basic set of anti-money laundering regulations, including the criminalization of money laundering, customer identification and a suspicious transaction reporting system. While the size of the financial sector in the Marshall Islands is limited with only three onshore banks and no offshore banks, the jurisdiction has registered about 3,000 IBCs. The relevant information on those international companies is guarded by the excessive secrecy provision and not accessible by financial institutions.

Following the FATF exercise, the US Treasury Department, citing similar concerns, issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving the Marshall Islands.

In response, the Marshall Islands has adopted some important anti-money laundering measures. In October 2000, the Marshall Islands parliament adopted the Banking (Amendment) Act of 2000, which requires customer identification for accounts, mandates the reporting of suspicious transactions to a central authority, and criminalizes money laundering relating to serious offenses. However, the Act contains no additional requirements for NRCs such as annual reports or disclosure of beneficial ownership.

In November 2000, the GRMI approved the establishment of a financial intelligence unit that will be empowered to exchange information with international law enforcement agencies and financial regulators, as well as assist in investigations.

The GRMI needs to draft and issue regulations to implement its new anti-money laundering legislation, and needs to assert supervisory authority over its limited financial services sector with particular emphasis paid to company formation.

Mauritius (Other). Money laundering occurs in Mauritius; however, there is no concrete information as to its amount or origin. Mauritius has an offshore sector.

In 2000, the Financial Action Task Force (FATF) conducted a review of Mauritius's anti-money laundering regime against 25 specified criteria. Mauritius was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report noted the following about Mauritius's anti-money laundering regime:

Mauritius has a range of legislation governing the domestic and offshore financial services industries. Some concerns have been identified regarding the identity of directors and beneficial owners of offshore trusts but the Economic Crime and Anti-Money Laundering Act, passed on 13 June 2000, reinforces the existing legislation in the prevention of and fight against money laundering.

The Economic Crime and Anti-Money Laundering Law (ECAMLL) requires financial institutions, cash dealers, and professionals to report suspicious transactions to the country's central bank, the Bank of Mauritius, which forwards the reports to the independent Economic Crimes Office (ECO). The ECO is responsible for investigating suspicious transactions reports (STRs). Members of professions who deal with financial transactions, including notaries and lawyers, are required to file STRs directly with the ECO. By year's end, the ECO had initiated more than 20 investigations based on STRs. The ECAMLL also authorizes international cooperation in money laundering investigations, and requires financial institutions to maintain adequate records of financial transactions.

Since passage of the Mauritius Offshore Business Activities Act in 1992, approximately 15,000 offshore businesses have been formed, (of which 10,700 are currently active) and 11 offshore banks have been granted licenses. Applications to form offshore companies are reviewed by the Mauritius Offshore Business Activities Authority (MOBAA), which provides a recommendation to the Ministry of Finance. The Banking Act of 1988 subjects all offshore banking activities to the supervision of the central bank. The central bank's prior approval is required to open foreign currency accounts at offshore banks. Offshore insurance companies and other non-banking businesses fall under the supervisory authority of the MOBAA. The Government of Mauritius (GOM) has announced its intention in 2001 to create a Financial Services Authority that will supervise all of Mauritius's financial services entities.

Mauritius is a signatory to the 1988 UN Drug Convention, but has not yet ratified the convention. In December 2000, Mauritius signed the United Nations Convention against Transnational Organized Crime. Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), and the Offshore Group of Banking Supervisors.

Mexico (Primary). Mexico's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amount of US dollars. Mexican drug trafficking organizations continue to exploit Mexican banks and money exchange institutions by transferring illicit proceeds to financial systems worldwide. The smuggling of bulk shipments of US currency into Mexico and the movement of the cash back into the United States via couriers and armored vehicles, as well as through wire transfers, remain favored methods for laundering drug proceeds. Although drug trafficking continues to be the principal source of the laundered proceeds, other crimes including kidnapping, corruption, firearms trafficking, and immigrant trafficking are also major sources of illegal proceeds. President Fox has publicly pledged to attack government corruption, which in the past has hindered anti-money laundering efforts and compromised criminal investigations and prosecutions.

During 2000, the Government of Mexico (GOM) increased its efforts at combating narcotics trafficking and money laundering. The Secretariat of Finance and Public Credit (Hacienda), the National Banking Commission and the Office of the Attorney General (PGR) not only made greater efforts at enforcing the measures available to them under the existing law, but also sought to close loopholes by expanding preventive measures. These included new regulations issued in December 2000 that extended reporting, record keeping, and customer identification requirements to non-bank financial institutions. The regulations entered into force February 1, 2000.

Substantively, the Mexican anti-money laundering system contains the essential elements to meet international standards such as those of the Financial Action Task Force (FATF) Forty Recommendations. Article 400 bis of the Federal Penal Code (in effect since 1996) extends the money laundering offense to all criminal activity and applies as well to the proceeds of offenses committed in foreign jurisdictions. Official corruption has been addressed with Mexico's anti-money laundering laws; penalties are increased by 50 percent when the crime involves a government official in charge of the prevention, investigation or prosecution of money laundering. Banks and other financial institutions (e.g. mutual savings companies, insurance companies, financial advisers, currency exchange houses, stock market, credit institutions) are required to know and identify customers, and maintain records of transactions. They must report currency transactions over \$10,000, and transactions considered suspicious or unusual to Hacienda's Attached General Directorate for Transactions Investigations (DGAIO), Mexico's financial intelligence unit (FIU).

In 2000, the DGAIO began automated filing of transaction reports from the financial sector and instituted a series of checks to ensure integrity. Through the end of the year, the DGAIO processed more than 6.5 million currency transaction reports, nearly 1,500 suspicious activity reports; and opened over 100 new investigations.

The DGAIO and the banking community continue to expand access to the automated filing network and have sponsored seminars and conferences for the entire banking community (bankers, regulators, and examiners). Overall, industry compliance with reporting has improved. At the November 2000 annual meeting of the Mexican Banking Association, self-imposed reporting requirements were promulgated within the banking sector.

In 1998, the PGR established a special prosecutorial unit that continues to develop a staff of in-house expert investigators to strengthen the money laundering cases presented to the judiciary. In 2000, Mexico initiated 27 prosecutions involving some 53 individuals under its money laundering laws. Of these, 31 have been arraigned but none sentenced. In 2000, three convicted individuals were sentenced in cases dating from 1998.

In January 2000, the US Department of the Treasury and the Mexican Hacienda entered into a Memorandum of Understanding for the exchange of information on the cross-border movement of currency and monetary instruments. The responsible authorities for the implementation of this MOU are the US Treasury's Financial Crimes Enforcement Network (FinCEN) and the DGAIO. In December 2000, Mexico amended its Customs Law to reduce the threshold for reporting inbound cross border transportation of currency or monetary instruments from \$20,000 to \$10,000. At the same time, it established a requirement for the reporting of outbound cross-border transportation of currency or monetary instruments of \$10,000 or more.

Mexico is a full and active partner in the Money Laundering Group of the US/Mexico High-Level Contact Group. Mexico and the United States continue to implement their bilateral treaties and agreements for cooperation in law enforcement issues, including the Mutual Legal Assistance Treaty (MLAT), the Executive Agreement on Asset Sharing, and the Financial Information Exchange Agreement (FIEA). Mexico has also entered into bilateral agreements with other countries that provide for international cooperation on money laundering matters.

In June 2000, Mexico was accepted as a full FATF member, and joined the Caribbean FATF as a cooperating and supporting nation. Through membership and participation in the FATF, the Egmont Group of FIUs and the

OAS/CICAD Experts Group to Control Money Laundering, Mexico continues to expand its presence at international anti-money laundering fora. Mexico is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Through workshops with industry representatives, the Mexican Secretariat of Finance and Public Credit has sought to clarify the implementation procedures of the 1998 regulations for transaction reporting. Substantial progress has been made in the past year but there is still misunderstanding throughout the financial sector of what is required to be reported. Mexico is positioning itself to guard against electronic money laundering and the use of "smart cards" by examining domestic industry standards. Although no investigations have been initiated, these new technologies may present the greatest challenge as Mexico integrates into a global economy.

Mexico has established a sound legislative basis for its anti-money laundering policies, and has demonstrated an international commitment to combat money laundering. However, one weak area that remains is that customer identification provisions do not apply to third party beneficiaries, which affects high value transactions made by individuals on behalf of the principal account holders. Identifying the true owners of the bulk cash that transits the US-Mexican border must remain a priority item for both governments to stem transactions involving international narcotics trafficking proceeds.

Mexico also continues to lack sufficient qualified and experienced personnel in the regulatory agencies and within the banking community to implement and enforce oversight and compliance programs. Additional efforts also need to be directed towards developing cooperative relationships among law enforcement, financial regulators and the financial sector to reduce vulnerabilities. Finally, Mexico needs to follow through on recent pledges and efforts to combat corruption to ensure that its anti-money laundering program is successful.

Micronesia (Other). The Federated States of Micronesia (FSM) is a constitutional government in free association with the United States. It is not a regional financial center. There are four financial institutions in the country—two local banks and two foreign branches. There have been no known money laundering schemes related to narcotics proceeds. Financial crimes, such as bank fraud, do not appear to be increasing in frequency. Contraband smuggling, centered on alcohol and tobacco products, may generate illicit proceeds. The FSM does not permit offshore banking.

Moldova (Other). Moldova is not a significant financial or money laundering center. Awareness of money laundering among government officials and financial institutions has been aided by the assistance of US experts from the Treasury Department, who provided training, advice and consultation related to the prevention of money laundering. In addition, the FBI is presenting an ongoing series of courses on fighting organized crime and corruption in Moldova. Moldova has drafted a statute on money laundering, however, it is currently in the legislative process and has not been approved.

Moldova is a party to the 1988 UN Drug Convention. In December 2000, Moldova signed the UN Convention against Transnational Organized Crime. Moldova is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), a FATF-style body.

Monaco (Concern). The Principality of Monaco is not a regional financial center. However, it is considered vulnerable to money laundering because of its strict bank secrecy laws and extensive network of casinos. Russian organized crime and the Italian Mafia reportedly have laundered money in Monaco.

Monaco has 70 financial institutions, 37 of which are banks. Most of the banking sector is concentrated in portfolio management and private banking. The subsidiaries of foreign banks operating in Monaco can withhold customer information from the parent bank. Monaco also has an offshore sector, and permits the formation of both trust and international business companies (IBCs). Monaco permits the formation of five different types of IBCs: limited liability companies; branches of foreign parent companies; partnerships with limited liability; partnerships with unlimited liability; and sole proprietorships. Ready-made "shelf companies" are not permitted. The incorporation process generally takes 4 to 9 months. Monaco does not maintain a central registry of IBCs, and authorities have no legal basis for seeking information on the activities of offshore companies.

In 2000, the Financial Action Task Force (FATF) conducted a review of Monaco's anti-money laundering regime against 25 specified criteria. Monaco was not identified by the FATF as a noncooperative country in the international fight against money laundering. However, the FATF in its June report noted the following about Monaco's anti-money laundering regime:

The anti-money laundering system in Monaco is comprehensive. However, difficulties have been encountered with Monaco by countries in international investigations on serious crimes that appear to be linked also with tax matters. In addition, the FIU of Monaco (SICCFIN) suffers a great lack of adequate resources. The authorities of Monaco have stated that they will provide additional resources to SICCFIN.

Money laundering in Monaco is a criminal offense. Banks, insurance companies, and stockbrokers are required to report suspicious transactions and to disclose the identities of those involved. Casino operators must alert the government to gambling payments suspected to be derived from drug trafficking or organized crime. Another law imposes a 5–10 year jail sentence for anyone convicted of using ill-gotten gains to purchase property (which is itself subject to confiscation).

Monaco established its financial intelligence unit, the Service d'Information et de Contrôle sur les Services Financiers (SICCFIN), to collect information on suspected money launderers. The SICCFIN is a member of the Egmont Group.

Monaco is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Mongolia (Other). Mongolia is not a regional financial center. However, Mongolia's vulnerability to transnational crimes such as money laundering most likely has grown with the country's increased levels of international trade and tourism. Mongolia's long, unprotected borders with Russia and China make it particularly vulnerable to smuggling and narcotics trafficking. Illegal money transfers and public corruption are other sources of illicit funds in Mongolia. In 2000, Mongolian police seized approximately \$1 million in counterfeit US currency. Mongolia does not have anti-money laundering legislation. Moreover, Mongolia's ability to fight all forms of transnational crime is hampered by a weak legal system, and an inability to effectively patrol its borders, to detect illegal smuggling, and to conduct transnational criminal investigations.

The Government of Mongolia (GOM) has made protection of its borders a priority. The GOM has increased its participation in regional and international fora that focus on transnational criminal activities. For example, Mongolia is working with other countries in the region to join the Asia-Pacific Group on Money Laundering. US Government assistance to the GOM includes international visitor programs on transnational crime and counter narcotics measures, and joint operations and training by regional representatives of the Drug Enforcement Administration, the Internal Revenue Service, and the Secret Service.

Montserrat (Other). Montserrat is a Caribbean Overseas Territory of the United Kingdom. Volcanic activity between 1995 and 1998 greatly reduced the population and business activity on the island, although an offshore financial services sector remains that may attract money launderers. As with the other British Caribbean Overseas Territories, Montserrat underwent a thorough evaluation of its financial regulation in 2000, co-sponsored by the local and British governments.

Montserrat's offshore sector consists of 15 offshore banks and 22 international business companies (IBCs). The Financial Services Centre (FSC) regulates offshore banks, whereas the Eastern Caribbean Central Bank supervises Montserrat's three domestic banks. IBCs may be registered using bearer shares, providing for anonymity of corporate ownership.

The Proceeds of Crime Act (POCA) 1999 criminalized the laundering of proceeds from any indictable offense and mandated the reporting of suspicious transactions to a Reporting Authority. However, the Reporting Authority has not yet been established. Although the Act directs the Governor to issue a code of practice establishing further regulations for financial institutions, the code of practice has not yet been issued.

US law enforcement cooperation with Montserrat is facilitated by a treaty with the UK that governs mutual legal assistance in criminal matters with several of the UK's overseas territories. Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), and through the UK, is subject to the 1988 UN Drug Convention.

Montserrat should issue regulations to implement the POCA and establish the Reporting Authority to act as a financial intelligence unit. It should enact measures to identify and record the beneficial owners of IBCs. It should also increase resources to financial supervision, especially as it looks to again expand its offshore sector, to help ensure that money launderers do not abuse Montserrat's financial services.

Morocco (Other). Morocco is not a regional financial center and the extent of money laundering in Morocco is unknown. However, Morocco remains an important producer and exporter of cannabis, which generates proceeds that must be laundered in Morocco or abroad. Moroccan government officials have indicated that they believed money was being laundered through bulk smuggling of cash and the purchase of smuggled goods. Banking officials have indicated that the country's system of unregulated money exchanges provides a venue for launderers. Morocco has not criminalized money laundering.

The Moroccan banking system is modeled after the French system and consists of 16 banks, five government-owned specialized financial institutions, approximately 30 credit agencies, and 12 leasing companies. The monetary authorities in Morocco are the Ministry of Finance and the central bank, Bank Al Maghrib, which monitors and regulates the banking system. Bank Al Maghrib has decreed that all financial institutions must institute a customer identification policy and maintain certain transaction records for a certain (unspecified) period of time.

A mutual legal assistance treaty entered into force between the United States and Morocco in 1993. Morocco is a party to the 1988 UN Drug Convention. In December 2000, Morocco signed the United Nations Convention against Transnational Organized Crime.

Mozambique (Other). Mozambique is not a regional financial center and does not have an offshore sector. Although the extent of money laundering in Mozambique is not known, it most likely is limited because of the country's small commercial banking sector. However, lax oversight and weak banking regulations, as demonstrated by recent bank scandals, suggest that Mozambique's financial institutions are vulnerable to money laundering. In particular, there is concern that the proceeds of arms trafficking and stolen vehicles sales may be laundered through Mozambique's financial institutions.

Mozambique criminalized money laundering related to narcotics trafficking through the 1997 antinarcotics law. In a 2000 address to Parliament, the attorney general underscored the importance of passing new anti-money laundering legislation that conforms to the 40 FATF Recommendations. The Parliament reportedly is considering additional anti-money laundering legislation.

Mozambique is a party to the 1988 UN Drug Convention, and a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Namibia (Other). Namibia is not a financial center. There are indications of drug trafficking and abuse, but no evidence of narcotics-related money laundering. Namibia currently has no laws against money laundering in place, nor does it have the necessary procedures to detect it.

Namibia is not a party to the 1988 UN Drug Convention. In December 2000 Namibia signed the United Nations Convention against Transnational Organized Crime. Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

Nauru (Primary). Nauru is a small central Pacific Island nation with a population of approximately 10,600. It is an independent republic, an associate member of the British Commonwealth, and recently joined the United Nations. The legal, supervisory, and regulatory processes in Nauru present significant opportunities for the laundering of the proceeds of crime, and allow criminals who make use of those systems to increase significantly their chances to evade effective investigation or punishment.

Nauru is an established "zero" tax haven—it does not levy any income, corporation, capital gains, real estate, inheritance, estate, gift, sales, or stamp taxes. It is an offshore banking center with a number of weaknesses in its regulatory structures. The Nauru Agency Corporation (NAC) licenses offshore banks, and in turn, acts as a shareholder or director of the banks it licenses. The government-owned Bank of Nauru acts as the central bank for monetary policy; but it has no regulatory function over offshore banks. Nauruan authorities are unable to verify information provided by applicants for offshore banking licenses or those registering corporations on the island. The required documentation is routinely processed through registered agents. Even though bank applications require a certified police record stating that the applicant has no criminal record, Nauruan authorities do not have the ability to check the bona fides of such documents.

Citing many of these deficiencies, including excessive bank secrecy provisions that guard against the disclosure of the relevant information, the Financial Action Task Force (FATF) identified Nauru as a non-cooperative country and territory in its June 2000 report. The FATF report criticized the lack of basic anti-money laundering regulations, including the criminalization of money laundering. The FATF report cited the poor supervision of Nauru's offshore banks. Specifically, the report criticized the fact that Nauru's 400 offshore banks are not required to obtain identification information from its customers, maintain customer identification or transaction records, or report suspicious transactions. Nauru banks are known for dealing in bearer shares, which provide for secrecy of operations and anonymity.

Following the FATF determination, the US Treasury Department issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving Nauru.

Russian organized crime has exploited Nauru's offshore financial sector. Nauru gained notoriety in 1999 because of allegations that several billions of dollars of Russian financial transactions had passed through banks chartered in Nauru. Nauru's Russian clientele reportedly use this route to avoid scrutiny by Russian officials. A number of transactions, initiated by Russian and Asian organizations with alleged ties to organized crime, are assumed to be criminally derived. In April 2000, the Government of Nauru asked Russian officials to provide evidence of money flowing from Russia through Nauru and claimed that it would take available steps to prevent Nauru's banking system from being used in money laundering operations, once it received such evidence.

The Bank of New York case illustrates how a bank in Nauru can be used for money laundering purposes. To conceal the true source of the funds, Russian accomplices in this case used a number of offshore banks in the Pacific. In 1996 these individuals acquired control of "Sinex Bank Inc."—a registered offshore bank in Nauru. From 1996 to 1999, Sinex Bank was identified as the ordering party for more than \$3 billion in funds

transferred from Russian bank correspondent accounts at the Bank of New York to various shell corporation accounts. Although Sinex Bank conducted no actual banking operations in Nauru, it was used as a front to facilitate the illegal transfer of money out of Russia.

Nauru has confirmed its awareness of the impact of the deficiencies in its anti-money laundering processes, taken some steps to address these concerns, and expressed a willingness to cooperate with the international efforts to combat money laundering. It has cooperated with officials from the United States and other countries in certain criminal investigations involving Nauruan institutions. It has recently suspended the licenses of a large number of institutions pending a review of their ownership. It has blocked the registration of any new banks on behalf of any Russian individual or entity and cancelled contracts with a number of agents. The Government of Nauru is considering legislative changes that could redress a number of the problems in its banking laws, and has requested relevant technical assistance in order to do so.

The Government of Nauru facilitated on-site inspections of its financial system by US officials in 2000. It is a member of the South Pacific Forum and has participated in its efforts to establish a regional financial intelligence center. However, Nauru has not made any advances toward its commitment to the Honiara Declaration, which calls on Forum countries to implement the FATF 40 Recommendations.

Nauru needs to pass and enforce comprehensive anti-money laundering legislation and enact bank supervisory practices that are in accord with accepted international standards so that it can protect its financial services industry and economy from criminals and criminal organizations. Despite verbal commitments by Nauru to reform its offshore sector, no concrete action has been forthcoming.

Nepal (Other). Nepal is not a regional financial center. Nepal currently does not have an offshore sector. However, the Government of Nepal (GON) has explored the development of an offshore sector. There are no indications that Nepal is used as an international money-laundering center. US Government officials have offered assistance to the GON to help it develop a proper legal framework to deter money laundering.

The GON has not criminalized money laundering, and in 2000, legislative action on money laundering, mutual legal assistance, and witness protection remained stalled.

The GON exchanges information in connection with international narcotics investigations and proceedings. Regulations to ensure the availability of adequate records do not meet international standards.

Nepal is a party to the 1988 UN Drug Convention. Nepal is an observer jurisdiction to the Asia/Pacific Group on Money Laundering.

The Netherlands (Primary). The Netherlands is a major regional financial center and, as such, provides opportunities for laundering funds generated from a variety of illicit activities, including narcotics trafficking and financial fraud. Narcotics proceeds are often related to the sale of heroin, cocaine or cannabis. Some narcotics proceeds are derived from the local, illegal production and sale of cannabis products or designer drugs such as ecstasy. Money laundering in The Netherlands is believed to occur through the banking system, money exchange houses (bureaux de change), casinos, credit card companies, insurance and securities firms, stockbrokers and money transfer offices. Money laundering in The Netherlands is most likely controlled by major drug cartels and other international criminal organizations.

The Netherlands' anti-money laundering regime is in compliance with FATF and other international standards. Money laundering relating to any crime has been an offense in The Netherlands since 1994, although prosecutors must first prove the underlying offense before prosecuting for money laundering. The Dutch parliament is currently debating draft legislation that would make money laundering a separate offense. This bill also includes provisions that would ease somewhat the government's burden of proof regarding the criminal origins of proceeds, as the government believes the current standard is too high and can adversely affect money laundering prosecutions. Under the new bill, it should be sufficient to prove that the proceeds "apparently" originated from a crime.

Since 1996, organizations providing commercial services, such as accountants, lawyers and notaries, have applied money laundering reporting procedures within their professions. The Money Transfer and Exchange Offices Act will be submitted to Parliament this spring. If passed, it will replace the existing Exchange Offices Act, and as such it will also require money transfer offices, in addition to exchange offices, to obtain a permit to operate.

The Office for the Disclosure of Unusual Transactions (MOT), which was established in 1994, is The Netherlands' financial intelligence unit (FIU). The MOT reviews and analyzes unusual transactions. Because of the conversion of national banknotes and coins into Euro, which will take place between January 1, 2002 and January 28, 2002, the indicators have been adjusted in order to disclose transactions related to the conversion. Suspicious transactions are provided, with preliminary investigative information, to the National Public Prosecutor. The MOT is currently negotiating with notaries to implement suspicious activity indicators for disclosure in connection with the activities of this professional group, in preparation to implement the Second

EU Directive on Money Laundering. The MOT is a member of the Egmont Group and has information sharing agreements with eight other countries.

In December 2000, The Netherlands signed the United Nations Convention against Transnational Organized Crime. The Netherlands is also a party to the 1988 UN Drug Convention and the 1990 Strasbourg Convention on Money Laundering and Confiscation. The Dutch participate in the Basle Committee, and have endorsed the Committee's September 1997 "Core Principles for Effective Banking Supervision." There is a Mutual Legal Assistance Treaty in effect between The Netherlands and the US, as well as a forfeiture cooperation and asset sharing agreement. The Netherlands is a member of the Financial Action Task Force and participates in the Caribbean Financial Action Task Force as a Cooperating and Supporting Nation.

The Netherlands should continue to refine its anti-money laundering regime, particularly with respect to increasing its ability to prosecute money laundering and financial crimes.

Netherlands Antilles, The (Concern). The Netherlands Antilles consists of the Caribbean islands of Curacao, Bonaire, the Dutch part of Sint Maarten/St. Martin, Saba and Sint Eustatius. The growing offshore financial services industry, gaming industry, and lack of border controls between Sint Maarten and St. Martin creates opportunities that could be exploited by money launderers. However, the Netherlands Antilles Government has made it a priority to develop a comprehensive anti-money laundering program and continues to strengthen its anti-money laundering legislation.

In 2000 the Government expanded the anti-money laundering law to include suspicious activity reporting requirements for gems and real estate dealers. Also, senior government officials reached agreement on the "underlying crime" portion of the money laundering law. As a result, prosecutors no longer are required to prove that a suspected money launderer also committed an underlying crime (such as theft) in order to obtain a money-laundering conviction. It is now sufficient to establish that a money launderer knew, or should have known, of the money's illegal origin.

Recommendations for more specific indicators of suspicious activity for financial reporting await the Finance Minister's approval. There already has been a substantial increase in the number of unusual transaction reports submitted by the offshore sector, largely because of increased training. A proposal to bring credit card and currency transactions into the reporting system for unusual financial transactions also awaits the Finance Minister's approval.

At the request of the Committee Against Money Laundering, the Gaming Control Board of Curacao is currently reviewing a ministerial proposal to extend suspicious transaction reporting to casinos. If the Board provides no comments within the specified two-month comment period, the Finance Minister will implement this proposal.

The central bank has completed development of guidelines on detecting and deterring money laundering; these will be issued to the banking sector soon.

In 2000, the Association of Public Notaries introduced a list of indicators that will be used to report unusual transactions.

Progress on tightening oversight of trusts has been slowed by complications arising from the new fiscal framework being developed by the Netherlands and Netherlands Antilles. The Netherlands Antilles had proposed legislation that included provisions allowing the establishment of a type of closed corporation, which would be taxed at a zero-rate. The Netherlands has modified the legislation proposed by the Netherlands Antilles and, until a final version is enacted, new regulations cannot be established and enforced.

On August 1, 2000, the Netherlands Antilles Asset Seizure Law became effective. This law allows a public prosecutor to seize the proceeds of any crime once the crime is proven in a court of law.

In July 2000 cross border currency reporting legislation was presented to the Parliament, but it was not enacted by year's end. This legislation is expected to be approved in 2001.

Unusual transactions must by law be reported to the Netherlands Antilles Reporting Center, Meldpunt Ongebruikelijke Transacties (MOT NA), which collects and analyzes them. Some concern has been expressed over the ability of the MOT NA's small staff to handle a large influx of unusual transaction reports. The staff at the MOT NA, however, has worked diligently to enhance the effectiveness and efficiency of their reporting system. New software has been developed to enable institutions to send reports to the MOT NA electronically. In addition, legislation providing for the exchange of information between MOT NA and other financial intelligence units is now in the Central Committee of Parliament. The MOT NA is a member of the Egmont Group.

Law enforcement statistics improved in the Netherlands Antilles this year. Where previously there were no prosecutions for money laundering, Antillean courts convicted 14 individuals of money laundering this year and investigations are underway in another 11 cases.

The Netherlands Antilles has a large number of offshore financial service providers, including 42 offshore banks, mutual funds, international finance companies, and trust companies. Nearly 21,000 international business companies (IBCs) are registered in the Netherlands Antilles and may be registered using bearer shares. The law on bank supervision states that offshore banks must have a physical presence on the islands, hold their records there, and not give or receive payments in cash. The central bank supervises offshore banks, and some mutual funds are supervised by other entities. None of the other institutions are supervised by Netherlands Antilles authorities. The central bank also indicates that banks on Curacao usually maintain copies of bearer share certificates for IBCs maintaining accounts, which include information on the beneficial owner.

As part of the Kingdom of the Netherlands, the Netherlands Antilles is a member of the Financial Action Task Force. It also is a member of the Caribbean Financial Action Force. The Netherlands Antilles operates under the Netherlands's Mutual Legal Assistance Treaty with the United States. Cooperation is excellent. The MOT NA has an information sharing agreement with its counter-part in the Netherlands, the MOT.

The Netherlands Antilles has implemented most of its anti-money laundering legislation. The Netherlands Antilles should move expeditiously to enact new proposals that would further strengthen its anti-money laundering program such as those measures related to casinos, cross-border currency reporting, and extension of unusual transactions reporting to additional types of financial institutions. The Netherlands Antilles must continue to exercise due diligence and supervision over its offshore sector, including identification of the beneficial ownership of business accounts, so that its financial institutions and services industry are not used to launder money. Success for the Netherlands Antilles will be contingent upon continued vigilance and forceful implementation of its anti-money laundering regime.

New Zealand (Other). Evidence exists that money laundering takes place in New Zealand, although not to a significant extent. Narcotics proceeds and commercial crime are the primary sources of illicit funds. International organized criminal elements are also present in New Zealand.

New Zealand has been active in promoting efforts to combat money laundering in the South Pacific region. In September 2000, it hosted a workshop that brought together representatives from Pacific Island Forum nations, the IMF, World Bank and other interested parties to discuss general money laundering issues as well as specific plans to set up a regional financial intelligence unit (FIU). This initiative built on the New Zealand Government's "Forum Islands Road Show" series of visits to 13 South Pacific island nations that took place between May and November 1998 to discuss the regional dimensions and risks of financial crime. The September workshop recommendations were subsequently adopted at the 31st Pacific Islands Forum held in Kiribati in October 2000. Specifically, the Forum recognized the importance of information and intelligence sharing among its members and welcomed the proposal to establish a Project Office within the Forum Secretariat. The main function of the Project Office will be to work on details of a Regional Financial Intelligence Information Sharing Facility, as well as to assist Forum members countries in establishing domestic FIUs.

A 1995 amendment to New Zealand's Crimes Act 1961 criminalized the laundering of proceeds knowingly derived from a serious offense. The Financial Transaction Reporting Act 1996 contains obligations for a wide range of financial institutions, including banks, credit unions, casinos, and real estate agents, lawyers, and accountants. These entities must identify clients, maintain records, and report suspicious transactions. The Act also contains a "safe harbor" provision and requires the reporting of large cross-border currency movements.

New Zealand is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. New Zealand is a member of the Financial Action Task Force (FATF), the Asia/Pacific Group on Money Laundering (APG), and the South Pacific Forum. Its financial intelligence unit is a member of the Egmont Group.

Nicaragua (Concern). Nicaragua is not considered to be a regional financial center, and it does not have an offshore sector. Nicaragua's financial system is particularly vulnerable to drug money laundering because of the drug-trafficking activity in the region.

An area of specific concern is Nicaragua's weak regulation and oversight of its banking system, as highlighted by local media reports that have alleged massive fraud in the recent collapse of Intercontinental Bank (Interbank).

Nicaragua has criminalized money laundering related to drug trafficking, and requires banks to report cash deposits that exceed US \$10,000 to the Commission of Financial Analysis (CFA). However, the CFA has not yet been established because the Government of Nicaragua (GON) does not have the resources and technical expertise to do so. Once operational, the CFA will be subordinate to the Ministry of Government, and will be comprised of representatives from various elements within the government, such as law enforcement and the Superintendency of Banks. Nicaragua has not successfully prosecuted a money laundering case.

Nicaragua is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. Nicaragua is a member of the Organization of American

States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the Caribbean Financial Action Task Force.

The GON is urged to allocate the resources necessary for the establishment of the CFA to ensure that the country's financial institutions comply with relevant anti-money laundering controls. Moreover, the GON should create a system for reporting suspicious transactions once the CFA has been established.

Niger (Other). The extent of money laundering in Niger is not known. However, in 2000, officials from the United Nations indicated that the West African region may be fertile ground for money laundering because of drug trafficking, corruption, networks of contraband arms and precious stones, and weak mechanisms of control that can be abused by international criminals. Seven small commercial banks and one modest-sized local bank operate in Niger. The Central Bank of West African States (BCEAO) is the central bank for Benin, Burkina Faso, Guinea-Bissau, Cote d'Ivoire, Mali, Niger, Senegal, and Togo, all of which use the French-backed CFA franc currency.

In November 2000, Niger participated in a meeting of officials from 14 West African countries in Senegal. The group established the Intergovernmental Group for Action Against Money Laundering (GIABA) to coordinate their governments' actions against money laundering and other transnational crime.

Niger is a party to the 1988 UN Drug Convention.

Nigeria (Primary). The Federal Republic of Nigeria is a hub of money laundering and criminal financial activity, not only for the West African sub-region but also increasingly for the entire continent. It is the most populous Sub-Saharan country, dominating the West African sub-region economically and militarily. Nigeria is also Africa's most significant narcotics transshipment point. Nigerian criminal organizations utilize sophisticated global networks to ship narcotics via Nigeria to markets in the United States, Europe, and other African countries. Nigerian money laundering is directly linked to narcotics trafficking as well as corollary activities such as document, immigration, and financial fraud. The proceeds from these illegal activities are repatriated to Nigeria and are often used to fund subsequent criminal operations.

The combination of the narcotics trafficking activity and money laundering, and the fact that Nigeria has failed to adequately address corruption among law enforcement, customs, immigration, other government agencies, and the society at large makes it unusually difficult to have an effective anti-money laundering program.

Nigeria is notorious for the various financial schemes that originate there. Nigerian Advance Fee Fraud, commonly known as "Four-one-nine Scams," (419 is the reference to fraud in Nigeria's criminal code) has become highly lucrative for criminal enterprises. With the help of phone books, business directories, and email lists, Nigerian criminal organizations fax, mail, and email targeted businesses and individuals around the world with enticing "get rich quick" offers. The proposed schemes take various forms, for example, by promising a transfer of funds "from an over-invoiced contract" in Nigeria to a target's bank account. The cash in question might be profit from a crude oil sale that a business person "needs help in transferring out of the country" or the disbursement of funds for a specific charity from the estate of a recently deceased individual. Often, these 419 letters and schemes are written on "official" letterhead stationary. An elaborate system may be utilized to provide bogus references. Advance Fee Fraud perpetrators may request bank account information to gauge the targeted victim's level of trust and provide the impression that a funds transfer is imminent. All 419 Scams eventually request payment of a fee (or fees) so that the alleged transfer of funds can be facilitated. While actual monetary losses by US citizens are difficult to gauge—many victims are reluctant to report such activity to law enforcement agencies—conservative estimates place such losses by American citizens and businesses in the hundreds of millions of dollars annually. Substantial proof exists that narcotics traffickers have utilized 419 Scams to fund their illicit smuggling efforts.

The current anti-money laundering law, Money Laundering Decree No. 3 of 1995, criminalizes narcotics-based money laundering, but is useful only if the predicate offense is narcotics trafficking. It requires banks to identify customers, maintain records, and report large and suspicious transactions to the central bank. It also provides for the seizure and forfeiture of drug-related assets, although forfeiture requires a conviction and thus is seldom and ineffectively used. Enforcement of the legislation is inconsistent because corruption, bureaucracy, and lack of training in the preparation of money laundering cases slow the enforcement structures.

The National Drug Law Enforcement Agency (NDLEA), through the Money Laundering Surveillance Unit (MLSU) of the Bank Examination Department of the Central Bank of Nigeria (CBN), has the power to demand, and obtain and inspect the books and records of a financial institution to confirm compliance with the provisions of the money laundering decree. Banks are required to make transaction records available for review by NDLEA officials. There have been no money laundering convictions.

In response to international concerns, the GON has taken some steps to combat criminal activity and has become closely involved with US law enforcement agencies in an attempt to address the problem of financial crime and money laundering. In 1998, the GON began cooperating with the US Postal Inspection Service to

identify and crack down on fraud operations through the mail. In addition, the US Secret Service has maintained an office in the US Consulate General in Lagos since 1995, and in June 2000, opened a separate office to assist in the effort to combat Advanced Fee Fraud and other illegal operations, including US dollar counterfeiting operations. In May 1999, a decree was issued that, according to the NDLEA, altered the burden of proof in money laundering cases to facilitate prosecution. In October 2000, representatives from Nigeria and two other African countries attended an African Summit on Money Laundering at the Financial Crimes Enforcement Network (FinCEN). The purpose of the summit was to review and discuss the anti-money laundering legislation of each jurisdiction, the need to establish a financial intelligence unit, and training and technical assistance needs. The DEA is working closely with the NDLEA to develop competencies in drug and drug-related money-laundering investigations.

The CBN has announced that it is upgrading Money Laundering Decree No. 3 of 1995 to expand its scope beyond narcotics-related money laundering. It also has announced plans to supervise enforcement of the additional offenses, leaving the enforcement of narcotics-related money laundering to the NDLEA.

Nigeria is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Nigeria urgently needs to enact and implement changes to its anti-money laundering legislation so that it can meet international standards and protect itself against financial crimes and money laundering. Nigeria also needs to demonstrate its ability to take action against corruption and fraud. In addition, Nigeria should move to quickly create a centralized financial intelligence unit that would receive and analyze information and cooperate with foreign counterparts in money laundering investigations so that Nigeria can protect its financial system from widespread abuse by criminals and criminal organizations.

Niue (Concern). Niue is a self-governing parliamentary democracy in free association with New Zealand. Niue retains jurisdiction over its internal affairs and New Zealand assumes responsibility for Niue's external affairs. Legislation from the mid-1990s created an offshore financial center that is heavily dependent upon international business companies (IBCs). The Proceeds of Crime Act 1998 criminalizes the laundering of proceeds from any offense punishable by at least one year in prison. Niue recently passed new anti-money laundering legislation that, when implemented, should assist the country in its fight against financial crime. Regulatory weaknesses involving banks and IBCs remain, however.

In June 2000, the Financial Action Task Force (FATF) identified Niue as non-cooperative in the international fight against money laundering. The FATF in its report cited numerous deficiencies in Niue's anti-money laundering regime:

- * Niue has no ongoing process of supervising the licensed banks. The fact that the offshore banks have no physical presence in Niue complicates the regulation of that sector.
- * Contrary to international standards, the central bank's Monetary Board has delegated to a foreign private firm the responsibility of issuing banking licenses and conducting due diligence for offshore banks.
- * Niue lacks mandatory rules for financial institutions concerning customer identification and the disclosure of beneficial owners of accounts; in addition, Niue allows financial institutions to issue anonymous accounts.
- * Niue has no mandatory suspicious transaction reporting system in place.
- * Niue's law contains no provisions for the exchange of information between domestic and foreign regulators.
- * Niue does not have a financial intelligence unit.
- * The International Business Companies Act of 1994, as amended in 1996, which establishes IBCs, contains inadequate requirements for the registration and filing of information with the Registrar of companies.
- * Niue has devoted inadequate resources to fight money laundering.

Following the FATF exercise, the US Treasury Department issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving Niue.

In July 2000, Niue suspended consideration to register new offshore banks until the new Financial Transactions Reporting Act (FTRA) became effective. Niue passed and immediately enacted the FTRA in November 2000. The FTRA imposes reporting and record-keeping obligations upon banks, insurance companies, securities dealers and futures brokers, money services businesses and persons administering or managing funds on behalf of IBCs. Specifically, the FTRA requires financial institutions to report suspicious transactions, verify the identity of its customers, and keep records of financial transactions for six years. The FTRA also calls for the establishment of a financial intelligence unit (FIU) within the office of the Attorney General. To date the FIU has not been established. Niuean officials have said that the establishment of the FIU will depend upon the outcome of ongoing discussions among the Pacific Islands Forum of a proposed regional FIU for Forum member countries. Niue supports the establishment of a regional FIU to share information among Pacific Island

states.

The International Business Companies Act of 1994 is the legislative basis for establishing IBCs. Marketers of offshore services promote Niue as a favored jurisdiction for establishing IBCs for a variety of reasons. Niue does not require the disclosure of beneficial ownership of IBCs, permits bearer shares, allows the marketing of shelf companies, and does not require IBCs to keep a register of directors. Internet marketers also offer shelf companies complete with associated offshore bank accounts and mail-drop forwarding services. Regardless of how the IBCs are marketed, all are legally formed and registered by a Panamanian law firm on behalf of the GON. Because of strict secrecy laws, Niuean IBCs remain vulnerable to illicit use in international money laundering schemes.

Although IBCs are the most attractive feature of Niue's offshore sector, Niue also offers trusts, partnerships, financial management, and insurance services. Whether Niue has lifted its suspension to register new offshore banks is not known. Niue allows the creation of asset protection trusts that are impervious to many types of legal claims arising in other jurisdictions. In addition, trusts in Niue are exempt from taxation if the parties to the trust are not residents of Niue.

The Niuean Government has expressed a willingness to cooperate with international efforts to combat money laundering. Niue has participated in some international meetings concerning money laundering, including a workshop hosted by New Zealand in September 2000.

In 1998 Niue passed the Mutual Assistance in Criminal Matters Act, which authorizes the Attorney General of Niue to provide certain types of legal assistance to other countries involved with criminal investigations. Niue has no bilateral cooperation agreements to fight money laundering.

The lack of adequate supervisory and regulatory systems in Niue creates opportunities for the laundering and safe protection of the proceeds of crime. Niue needs to implement its anti-money laundering legislation to protect its financial services industry and economy from abuse by criminals and criminal organizations. Recent reforms address some of the deficiencies in Niue's anti-money laundering regime. Particular emphasis needs to be directed towards regulation of its offshore financial sector.

Norway (Other). Norway is not an important regional financial center; there are only 20 commercial banks in the country and about 130 savings banks. Money laundering in Norway is related mainly to funds generated by the smuggling of liquor and cigarettes. According to OKOKRIM, Norway's special unit on economic fraud, Norway has been experiencing an increase in financial crime such as bank fraud. These types of crimes overshadow narcotics-related money laundering in Norway.

Most money laundering in Norway takes place outside its financial system because financial institutions are obliged by law to report large and suspicious transactions to OKOKRIM. The structuring of deposits appears to be a problem for financial institutions. Large cross-border cash transactions by banks are routinely reported to the central bank and kept on file.

All forms of money laundering are criminal offenses, according to the Norwegian Penal Code. Norway's anti-money laundering legislation has been strengthened in recent years to conform to the FATF Forty Recommendations. OKOKRIM has set up a money laundering unit that receives suspicious transaction reports and serves as Norway's financial intelligence unit. OKOKRIM is a member of the Egmont Group.

Norway is a member of the Council of Europe and the Financial Action Task Force (FATF). Norway is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Organized Crime.

Oman (Other). Oman is not known to have a significant money laundering problem. Its small banking sector is supervised by the Central Bank of Oman (CBO), which has the authority to suspend or reorganize a bank's operations. In May 2000, the CBO organized and hosted a three-day seminar on the prevention and detection of money laundering.

Large cash transactions must be reported to the CBO and the Police. Oman has not criminalized money laundering. However, in February 2000, Oman announced that it was in the process of drafting comprehensive anti-money laundering legislation that would conform to international standards. It is expected that this legislation will be approved sometime in 2001.

Oman is a party to the 1988 UN Drug Convention, and a member of the Gulf Cooperation Council (GCC), which is a member of the Financial Action Task Force (FATF). Oman is scheduled to undergo a FATF mutual evaluation sometime in 2001. In May 2000, GCC members met for a four-day seminar on combating money laundering and pledged to enhance communication and cooperation to fight international crime.

Pakistan (Primary). The three principal sources of illicit funds in Pakistan are narcotics trafficking, corruption and smuggling. There is currently little production of narcotics in Pakistan. However, Pakistani narcotics-trafficking organizations are active in the huge Afghan drug trade and transship drugs through Pakistan. The

proceeds are laundered abroad by means of the hawala (also called "hundi") alternative remittance system.

Pakistan has criminalized the laundering of narcotics trafficking proceeds. The Control of Narcotics Substances Act (1996) calls for the reporting of transactions believed to be associated with narcotics trafficking and also contains provisions for the freezing and forfeiture of assets associated with narcotics trafficking. The Musharraf caretaker government has established new ordinances addressing various financial crimes, particularly tax evasion and corruption.

Pakistan does not have a financial intelligence unit. Several agencies—in particular, the Antinarcotics Force and Pakistan Customs—play a major role in the investigation of financial crimes cases in Pakistan.

Pakistan became a member of the Asia/Pacific Group on Money Laundering in 2000. Pakistan is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

In order to establish an effective anti-money laundering regime, Pakistan needs to enact legislation that criminalizes money laundering beyond drug trafficking. A system of reporting suspicious transactions by all financial institutions operating in Pakistan must also be implemented. Finally, given the significant role that hawala plays in money laundering, Pakistan should develop and implement "anti-hawala" countermeasures.

Palau (Concern). The North Pacific Island of Palau is not a major financial center. However, reports that offshore banks in Palau have carried out large-scale money laundering activities prompted a few international banks to ban financial transactions with Palau in late 1999 and early 2000. In response, Palau established a banking commission that intends to introduce financial control legislation to the National Congress in early 2001. Palau reportedly established two offshore banks in 2000 and enacted legislation that permitted the establishment of two Internet gaming operations.

Palau has sought assistance from US officials, the Pacific community, the United Nations, and the International Monetary Fund in its effort to develop an anti-money laundering regime. In addition, Palau participated in international meetings and conferences on financial crime in 2000, including a US-sponsored conference in Fiji and the UN Offshore Forum conference in the Cayman Islands. Palau has become a signatory to Pacific Island Forum anti-money laundering initiatives and has made significant advances to abide by the Honiara Declaration, which calls for Forum countries to implement the FATF 40 Recommendations.

After a few international banks restricted financial transactions with Palau in late 1999, the Government of Palau began its own investigation into alleged money laundering activities involving Palau-registered offshore banks. Palauan officials discovered that a few shell banks had been established through a mechanism in which entities in Palau applied for certificates of incorporation and business licenses in a local—in lieu of national-level jurisdiction. None of these so-called banks was ever given foreign investment approval or any approval to do business in Palau. Nonetheless, a few of these shell banks reportedly gained access to the international financial community and carried out almost \$2 billion in suspicious transactions during the past two years.

The Government of Palau needs to enact and implement comprehensive anti-money laundering legislation that meets international standards and establish a financial intelligence unit to work with foreign counterparts to combat financial crime. It should pay special attention to supervising its offshore financial and gambling sector to prevent abuse by criminal entities.

Panama (Primary). Panama continues to be an attractive venue for laundering drug money because of its proximity to major drug-producing countries; its sophisticated international banking sector; US dollar-based economy; and the Colon Free Zone's (CFZ) role as an originating or transshipment point for goods purchased with narcotics dollars through the Colombian Black Market Peso Exchange. Panama has financial institutions that engage in currency transactions involving international narcotics proceeds that include significant amounts of US dollars. Panamanian press reports also indicate that Panama's National Security Council is concerned that the Russian Mafia may be laundering the proceeds of arms and drugs trafficking through Panamanian bank accounts.

In June 2000, the Financial Action Task Force (FATF) identified Panama as noncooperative in international efforts to combat money laundering. The FATF in its report cited:

Panama has not yet criminalized money laundering for crimes other than drug trafficking. It has an unusual and arguably inefficient mechanism for transmitting suspicious transaction reports to competent authorities. Panama's FIU [financial intelligence unit] is not able to exchange information with other FIUs. In addition, certain outdated civil law provisions impede the identification of the true beneficial owners of trusts.

The US Treasury Department issued an advisory to US financial institutions advising them to "give enhanced scrutiny" to all financial transactions involving Panama.

In October 2000, the GOP enacted two laws and issued two executive decrees to address FATF's concerns about its anti-money laundering regime:

* Law No. 41 of October 2, 2000, amends the Penal Code by expanding the number of predicate offenses for money laundering beyond drug trafficking to include criminal fraud, arms trafficking, trafficking in humans, kidnapping, extortion, embezzlement, corruption of public officials, terrorism, and international motor vehicle theft or trafficking.

* Law No. 42 of October 2, 2000, expands the types of financial institutions that are required to report currency transactions in excess of US \$10,000 and suspicious financial transactions to include banks, trust companies, money exchangers, savings and loans associations, stock exchanges and brokerage firms, and investment administrators. Law 42 also mandates reporting to the Financial Analysis Unit (UAF) of currency or quasi-currency transactions that exceed US \$10,000 by casinos, CFZ businesses, the national lottery, and insurance/reinsurance companies. Furthermore, Law 42 requires Panamanian trust companies to identify to the Superintendency of Banks the real and ultimate beneficial owners of trusts

* Executive Decree No. 163 of October 3, 2000, amends the June 1995 decree that created the UAF to permit the UAF to share information with FIUs of other countries, subject to entering into Memoranda of Understanding (MOU) or other information exchange agreements. The UAF has contacted other members of the Egmont Group seeking to foster information exchange between FIUs. Executive Order No. 163 also allows the UAF to provide information related to possible money laundering directly to the Office of the Attorney General for investigation.

* Executive Order 213 of October 3, 2000, amends Executive Order 16 of 1984 relative to trust operations, and provides for the dissemination of information related to trusts to appropriate administrative and judicial authorities.

Furthermore, in October 2000, Panama's Superintendency of Banks issued a document, Agreement No. 9-2000, that defines requirements that banks must follow for identification of customers, exercise of due diligence, and retention of bank records.

The Government of Panama has not successfully prosecuted a money laundering case. However, in September 2000, US and Panamanian investigations of CFZ jewelry wholesaler "Speed Joyeros" culminated in the first-ever US indictment of a CFZ company. "Speed Joyeros" allegedly was part of an international network that used gold, false invoicing, and electronic transfers to launder drug money.

Panama's large offshore sector is comprised of international business companies (over 370,000 currently registered in Panama), trusts, captive insurance companies (corporate entities created and controlled by a parent company, professional association, or group of businesses), and offshore banks (approximately 34 banks). There are three categories of banking licenses: a general license for local and foreign operations, an international license for offshore banks, and a representation license for establishing representative offices. A large portion of Panama's legal profession subsists on creating and maintaining these diverse offshore products. Panama adopted legislation to regulate captive insurance companies—also called offshore insurance companies—through Law 60 of July 1996. Captive insurance has become one of the most important sectors of Panama's offshore financial industry, and is second only to banking.

Panama participates in the multilateral Black Market Peso Exchange Group (BMPEG) directive. Panama is a member of the Organization of American States Inter-American Commission on Drug Abuse Control (OAS/CICAD), the Caribbean Financial Action Task Force, (CFATF), and the Offshore Group of Banking Supervisors (OGBS). Panama is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. The UAF is a member of the Egmont Group. In May 2000, Panama hosted the Egmont Group's annual meeting. In August 2000, Panama also hosted the Fourth Hemispheric Congress on the Prevention of Money Laundering. Panama and the United States have a Mutual Legal Assistance Treaty that entered into force in 1995.

Panama has taken meaningful and effective steps forward in 2000 to address deficiencies in its money-laundering regime. Panama should focus on fully implementing and enforcing its new anti-money laundering legislation, and promptly enter into information exchange agreements between the UAF and other FIUs.

Papua New Guinea (Other). Papua New Guinea has no significant exposure to money laundering or other financial crime. Its banking sector is very small, and it has no offshore financial sector. However, there are no laws against money laundering.

Papua New Guinea is not a party to the 1988 UN Drug Convention.

Paraguay (Primary). Paraguay is a transit country for cocaine trafficking, and remains one of Latin America's major money laundering centers. Paraguay is vulnerable to money laundering because of endemic official corruption, weak regulation of its financial sector, and poor implementation of anti-money laundering legislation. The Government of Paraguay's (GOP) implementation of anti-money laundering legislation has been hindered by scarce resources, a lack of political commitment, poor coordination among the various government agencies, and a lack of understanding and reporting by the financial sector.

In 2000, the GOP, for the first time, approved a budget for the country's anti-money laundering secretariat, Secretaría de Prevención del Lavado de Dinero y Bienes (SEPRELAD), and participated in international efforts to combat money laundering. Although GOP officials believe that as much as 65 percent of Paraguay's money laundering is linked to narcotics trafficking, US Government experts believe that 20 percent probably is a more accurate figure. The multi-billion dollar re-export contraband trade that is centered in Ciudad del Este generates significant illegal proceeds.

Paraguay was in the past considered an important tax haven for residents of Brazil because Paraguay has no personal income tax. Paraguay does not license offshore banks; foreign banks are registered in Paraguay and non-residents are allowed to hold bank accounts. However, current banking regulations forbid banks to advertise or otherwise seek deposits from outside the country, and a string of bank failures between 1995 and 1998 has made Paraguay a less attractive venue for foreign deposits. All banks that operate in Paraguay—both national or foreign—are supervised under the same rules and regulations by the appropriate Paraguayan authorities.

Paraguay's anti-money laundering law 1015/97, "Preventing and Suppressing Illegal Acts Committed for the Purpose of Laundering Money or Assets," was promulgated in January 1997. The legislation criminalizes money laundering related to drug trafficking or a criminal organization, or other offenses that are punishable by an average of at least two years imprisonment. Participation in contraband trafficking and tax evasion is penalized through fines only, and thus proceeds from these offenses are not covered by the law. The law obliges a wide range of financial institutions to identify customers, maintain records, and record transactions exceeding US \$10,000. The law also mandates reporting of suspicious transactions, establishes asset forfeiture provisions, and provides for cooperation with domestic and international law enforcement. However, GOP officials estimate that only 10 percent of covered institutions actually report these transactions to the SEPRELAD.

The law established SEPRELAD as an inter-agency secretariat to implement the money laundering legislation, issue regulations, and receive financial disclosures. SEPRELAD is comprised of the Minister of Industry and Commerce—the Ministry of Industry and Commerce is SEPRELAD's parent agency—a member of the Central Bank Directorate, the Superintendent of Banks, the Commissioner of Securities, and the heads of the National Police and the National Anti-Drug Secretariat (SENAD). SEPRELAD also oversees Paraguay's financial analysis unit (UAF), a body that collects, analyzes, and processes financial disclosures. When the UAF determines that there are reasonable grounds to warrant further investigation, SEPRELAD forwards its findings to the Financial Crimes Investigation Unit (UIDF) of the SENAD. However, SEPRELAD rarely meets and is susceptible to influence by political concerns because its members are from various government agencies. This impedes the flow of information from the UAF to investigative authorities.

In the spring of 2000, the UAF received its first budget and acquired a larger, permanent office. The UAF increased its staff from six to 10, and has plans to further expand the staff to 14. In September 2000, the US Government delivered to the UAF more than \$50,000 in computer equipment. The new software and databases should help the UAF more thoroughly analyze the suspicious transactions reports—once they have been digitized—it has received thus far. The majority of these reports are large currency transactions that have no other suspicious nature, and have come from only a few banks. In 2000, the GOP produced one money-laundering case for prosecution, and in 1999, did not prosecute any cases.

Paraguay has two laws that authorize asset forfeiture. A 1988 law provides a basic system for forfeiting narcotics-related assets; the more recent anti-money laundering legislation provides a system for forfeiting proceeds that are derived from narcotics trafficking and other serious crimes. Under both laws, instruments of crime and proceeds derived from drug trafficking—including bank accounts—may be seized. However, only the anti-money laundering law allows for seizure of a legitimate business derived from illicit proceeds. If the business was merely used to launder the proceeds, then it is subject to a fine or administrative sanctions. Both laws authorize the sharing of forfeited proceeds with another government. Under the 1988 law, proceeds from the narcotics-related seizures are deposited into an antinarcotics police account; under the anti-money laundering law, the proceeds of seizures are distributed at the discretion of the judge presiding over the case. The use of nominees is legal and widespread, and as a result, judges have returned assets because they were registered in the name of the nominee and not the defendant.

The GOP enforces its existing drug-related asset seizure and forfeiture laws, but its success is consistently minimal. A cumbersome judicial process prevents speedy forfeitures, and a conviction is required before a drug-related asset can be forfeited. Although the GOP is contemplating changes to its antidrug statute, the GOP in years past has given low priority to enacting new counternarcotics legislation.

The GOP continues to be active in international efforts to combat money laundering. Paraguay is a member of the South American Financial Action Task Force (GAFISUD), and a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. In 2000, Paraguay entered into a bilateral agreement with Brazil for the exchange of information on money laundering, and has begun cooperating with Brazil on a number of cases. Paraguay is a party to the

1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime. The UAF is a member of the Egmont Group.

Although the GOP appears to be committed to fighting money laundering, as evidenced by its funding and staffing of relevant agencies and its participation in international initiatives, it must address several deficiencies in its anti-money laundering program to produce results. The GOP now has legal and technical tools to fight money laundering, and must now coordinate efforts among its agencies and educate the banking industry on money laundering to increase their compliance with reporting requirements. The GOP also should make legislative or regulatory changes that would allow the UAF to communicate its findings directly to investigative agencies. Finally, the GOP should adequately train prosecutors and judges to effectively deal with financial crimes.

Peru (Concern). Peru is not a regional financial or offshore center; however, money laundering derived from narcotics trafficking and corruption exists. In fact, government of Peru (GOP) officials are currently attempting to recover over US \$70 million deposited in Swiss bank accounts that are believed to be the proceeds of money laundering by the former director of the Peruvian National Intelligence Service, Vladimiro Montesinos. The GOP is pursuing possible Montesinos-related accounts elsewhere as well.

Peru's primary anti-money laundering tools are contained in Articles 296-A and B of Law 25428, which criminalize the laundering of proceeds associated with narcotics trafficking (since 1992), and narcoterrorism (since 1993). The law carries a penalty of life imprisonment for bank and finance officials convicted of money laundering. Since 1992, few money laundering cases have been prosecuted and none have yet resulted in a conviction. Additional anti-money laundering provisions were introduced with the passage in December 1996 of the General Law of the Financial and Insurance System and the Organic Law of the Superintendency of Banking and Insurance (No. 26702) and its implementing regulations, which went into effect in July 1998 (Resolution SBS 904-97). This law requires banks and other financial institutions to identify clients and to report unusual and suspicious financial transactions to the Office of the Attorney General (Fiscalia) with a copy provided to the Superintendent of Banks. Compliance by the financial institutions with the requirement to report suspicious transactions is low. The Fiscalia has allowed the Financial Investigations Unit of the Peruvian National Police access to the suspicious transactions reports, for the purpose of determining if the transactions have a connection to narcotics trafficking. The requirement for banks and financial institutions to record certain large cash transactions remains suspended since July 1998 (Resolution SBS 731-98).

During 2000, the GOP made efforts toward implementing an anti-money laundering program that would meet international standards. US Treasury Department officials have assisted in GOP efforts to develop a program that would include new legislation with broader laws and comprehensive regulations for the financial sector. Such a law would provide for the reporting of large currency transactions, and would make the information can be made available to law enforcement authorities upon request. Perhaps spurred by the Montesinos scandal, the new administration has just sent to Congress a bill that would establish a Financial Analysis Unit (FAU). However, this proposed legislation does not appear to address other fundamental deficiencies in Peru's existing anti-money laundering legislation. Absent fundamental reforms in the legal framework, the potential effectiveness of such a unit is questionable. An effort is now underway in the Peruvian executive and legislative branches to draft a more complete reform of Peru's anti-money laundering legislation that would bring it up to international standards.

Peru has been a party to the 1988 UN Drug Convention since 1992. In December 2000, Peru signed the United Nations Convention against Transnational Organized Crime. Peru is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the newly established South American Financial Action Task Force (GAFISUD), a regional FATF-style anti-money laundering body.

Peru should adopt legal measures that enhance its anti-money laundering framework to ensure that it meets international standards in order to deter financial crimes and protect the integrity of its financial system.

Philippines (Primary). The Philippines is neither a major financial center nor a major offshore banking center. However, rising crime, the absence of anti-money laundering legislation, and strict bank secrecy have left the Philippines vulnerable to large-scale narcotics trafficking and allow for criminal proceeds to be easily laundered in the Philippines or transferred abroad. It has been reported in the past few years that illegal drug trade in the Philippines has become a billion-dollar industry. Part of the money flows into the pockets of corrupt government officials in the form of bribes, while part is invested in legitimate businesses. The Philippines has experienced an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines fund their activities through narcotics and arms trafficking, and engage in money laundering through alleged ties to organized crime.

Citing many of the deficiencies in the Philippines' anti-money laundering regime, in June 2000, the Financial Action Task Force (FATF) named the Philippines among its list of 15 countries that were non-cooperative in international efforts to combat money laundering. The report noted:

The country lacks a basic set of anti-money laundering regulations such as customer identification and record keeping. Bank records have been under excessive secrecy provisions. It does not have any specific legislation to criminalize money laundering per se. Furthermore, a suspicious transaction reporting system does not exist in the country.

The US Treasury Department has also issued an advisory reflecting many of the concerns noted in the FATF report, advising US financial institutions "to give enhanced scrutiny to transactions or banking relationships that do not involve established, and adequately identified and understood, commercial or investment enterprises" involving the Philippines. The advisory also noted that money laundering is not a crime under the law of the Philippines, and that the Bangko Sentral ng Pilipinas (BSP), the Philippines central bank, had not issued any anti-money laundering regulations or guidelines.

The Government of the Philippines has introduced two pieces of legislation that would criminalize money laundering in cases of illegal drug transactions or other organized crime activities. The proposed legislation would allow the limited lifting of bank secrecy laws and allow criminal investigators to examine deposit records in such cases under court order. Separately, the proposed new Central Bank Act, as it currently stands, would lift bank secrecy on accounts with balances over 50 million pesos (US \$1 million). However, the prospects for passage of any legislation in the near term are dim; it is also unclear whether the bank secrecy provisions of the new laws would be retained or whether the new law would apply to the fifteen offshore banks operating in the Philippines.

In the absence of new legislation, the BSP in July 2000 issued a series of circulars to entities under its jurisdiction to tighten money-laundering controls. Circular 251 instructed financial institutions to take "reasonable measures" to verify the identity of clients, maintain transaction records for at least five years, and pay special attention to all complex or unusual transactions. If an institution has reason to believe that funds are the proceeds of an illegal activity, it should, when the law permits, report these transactions to the "competent authority." The circular requires all banks to close any questionable deposit accounts believed to be linked to criminal or other illegal activity. General inspections found that the customer identification and record-keeping requirements under this circular are consistent with international standards, although they lack procedural regulations. Circular 253 instructed banks and non-bank financial institutions to report certain suspicious transactions to the BSP. This reporting includes purchases of foreign exchange, renting of safety deposit boxes, and performing remittances, but would not cover bank deposits and investments in government bonds, which are guarded by bank secrecy provisions.

The Philippines has adopted regulations that ensure the availability of records in response to US requests, but the system is untimely and cumbersome. In addition, officials believe there is a proliferation of businesses engaged in money-laundering activities (e.g. bars, pawnshops, foreign exchange dealers and casinos) that are not covered by central bank circulars. Officials are also hampered by a lack of ability to monitor casino payments to gamblers.

The Philippines does not yet have a financial intelligence unit. The National Law Enforcement Coordinating Committee (NALECC) serves as an information-sharing network for intelligence and law enforcement agencies.

The Philippines is a member of the Asia/Pacific Group (APG) on Money Laundering and is a party to the 1988 UN Drug Convention. In December 2000 the Philippines signed the United Nations Convention against Transnational Organized Crime. The Philippines and the United States have a Mutual Legal Assistance Treaty that entered into force in 1996.

The Philippines should enforce recent regulations and enact and enforce other measures to bring the Philippines' anti-money laundering into compliance with international standards. This should include the establishment of a financial intelligence unit with the ability to cooperate internationally and share financial information with foreign counterparts. These measures will assist the Philippines' efforts to combat corruption, organized crime, and financial crime.

Poland (Concern). Poland's efforts to develop an anti-money laundering regime have not kept pace with its rapid political and economic transition since 1989. With Europe's economic expansion and open borders with former socialist countries, transnational crime has seen significant growth. Narcotics trafficking, organized crime activity, auto theft, smuggling, extortion, counterfeiting, burglary, tax fraud, tax evasion, and other crimes generate criminal proceeds in the range of US \$2-3 billion annually according to Government of Poland estimates. Polish banks serve as transit points for the transfer of criminal proceeds. Polish currency exchange businesses and casinos also are venues for money laundering.

Various regulations have been enacted since 1992 to combat money laundering in Poland. In 1997, Poland criminalized money laundering with the enactment of Article 299 of the Penal Code. Polish prosecutors have investigated approximately 75 cases involving money laundering in the last five years. To date, none of the cases forwarded to the courts has resulted in a successful prosecution. Poland's current law allows for customer identification, record keeping and suspicious activity reporting. A major weakness of Poland's money

laundering regime was that it did not cover many non-bank financial institutions that have been traditionally used for money laundering.

In December 2000, President Kwasniewski signed the "Law on Counteracting the Use of Material Assets from Illegal or Undisclosed Sources in Financial Transactions." Poland's Parliament had approved the bill in November 2000. The main feature of the law is the creation of a financial intelligence unit (General Inspectorate of Financial Information-GIIF) to collect and analyze reports of large and suspicious transactions. The GIIF will be housed within the Ministry of Finance and will become operational in July 2001. By July 2001, financial institutions will be required to report currency transactions, or a series of related transactions, over the equivalent of 10,000 Euros to the GIIF. They will also have to report any suspicious transactions regardless of the amount. The financial institutions subject to the reporting requirements include banks, brokerages, casinos, insurance companies, investment and pension funds, leasing firms, private currency exchange offices, real estate agencies, and notaries public. The GIIF will have the right to suspend a suspicious transaction for 48 hours. The Public Prosecutor will have the right to suspend the suspicious transaction for three months, pending a court decision.

The United States and Poland have signed a treaty on mutual legal assistance that came into force in 1999. Poland is very active in international anti-money laundering fora. Poland is a party to the UN Drug Convention, and signed the UN Convention against Transnational Organized Crime in December 2000. Poland is also a member of the Council of Europe (COE) and participates in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). In May 1999, Poland underwent a mutual evaluation by the PC-R-EV. The evaluation provided detailed suggestions to improve Poland's anti-money laundering program. In 2000, the Government of Poland ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. The Convention will enter into force with respect to Poland in April 2001.

Implementation of the new anti-money laundering law's provisions will give Poland an anti-money laundering regime that appears to meet international standards. Setting up the GIIF and the transaction reporting system are the next steps in 2001 towards creating an operational anti-money laundering regime.

Portugal (Concern). Government of Portugal (GOP) officials indicate that most of the money laundered in Portugal is drug-related. Drug traffickers channel money through bureaux de change, and use Portuguese offshore companies to wire funds to bank accounts in other offshore jurisdictions.

Portugal has a comprehensive anti-money laundering regime. Decree-Laws 15/93, 313/93, and 325/95 (amended by Decree-Law 65/98) criminalize money laundering related to narcotics trafficking and other serious offenses such as terrorism, arms trafficking, extortion, kidnapping, corruption, and serious economic offenses specified in a separate economic crimes law. Decree-Law 170/93 requires declaration of cross-border movements of currency that exceed Esc. 2.5 million (approximately US \$12,000). All financial institutions—including insurance companies—must identify their customers, maintain records for a minimum of ten years, and demand written proof from customers regarding the origin and beneficiary of transactions that exceed Esc. 2.5 million (approximately US \$12,000). Non-financial institutions such as casinos, property dealers, lotteries, and dealers in high-value assets must also identify customers engaging in large transactions, maintain records, and report suspicious transactions to the Public Prosecutor.

When money laundering is suspected, financial institutions must cease processing the transaction in question and report it to the judicial authority and the Office of the Public Prosecutor. However, Portugal's system for reporting suspicious transactions remains somewhat informal. Bank officials contact the anti-money laundering authorities and file a formal suspicious transaction report (STR) only if those authorities indicate that one is necessary. As a result, a relatively small number of formal reports are filed annually. However, the number of STRs has increased slightly each year.

The Public Prosecutor forwards STRs to the Judicial Police's Brigada de Investigaçao de Branqueamento de Capitais (BIB) for analysis. If further analysis indicates money laundering, the Judicial Police conduct an investigation. The eight-person BIB functions as Portugal's financial intelligence unit (FIU); it centralizes all information related to STRs and shares it with foreign counterparts. The BIB is a member of the Egmont Group.

Portuguese laws also call for the confiscation of property and assets connected to money laundering, and authorize the Portuguese Judicial Police (PJP) to trace illicitly obtained assets—including those passing through casinos and lotteries—even if the predicate crime is committed outside of Portugal.

Public and private sector regulators and organizations play important roles in Portugal's anti-money laundering program. The Bank of Portugal monitors financial institutions' compliance through inspections and annual internal control reports. The Portuguese Banking Association provides regular training courses on money laundering for employees of banks and other financial institutions. The Portuguese Insurance Institute, through Circular No. 27/97, monitors compliance of insurance-related businesses, educates the insurance sector on industry-specific risks, and alerts judicial authorities to evidence of money laundering. The Securities

Commission (CMVM) regulates the securities industry; monitors compliance by financial intermediaries; provides training for brokers; and alerts judicial authorities to evidence of money laundering. The CMVM has cooperated with foreign authorities in two major investigations that involved funds laundered in Portugal.

The GOP has comprehensive legal procedures that enable it to cooperate with foreign jurisdictions and share seized assets.

The Portuguese islands of Madeira offer one of the few offshore centers in the European Union (EU). The Madeira International Business Center (MIBC) has a free trade zone, an international shipping register, and offshore banking, trusts, holding companies, stock corporations, and private limited companies. The latter two business entities are similar to international business corporations (IBCs), of which there are a combined total of 4,100 registered in Madeira. All entities established in the MIBC will remain tax exempt until 2011. Companies also can take advantage of Portugal's double taxation agreements. Decree-Law 10/94 permits existing banks and insurance companies to establish offshore branches. Applications are submitted to the central bank of Portugal for notification, as in the case of EU institutions, or authorization, as in the case of non-EU or new entities. The law allows establishment of "external branches" that conduct operations exclusively with non-residents or other Madeiran offshore entities, and "international branches" that conduct both offshore and domestic business. Although Madeira has some local autonomy, its offshore sector is regulated by Portuguese and EU legislative rules, and is supervised by the competent oversight authorities. Bearer shares are not permitted.

Portugal is a member of the Council of Europe, the EU, and the Financial Action Task Force (FATF). Portugal held the FATF presidency from 1999 to 2000. Portugal is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Portugal has put into place comprehensive and effective measures to combat money laundering. The system for reporting suspicious transactions could be improved, however, by instituting a more formalized system, and by the increased involvement of and training for entities outside the banking sector. The GOP also should continue to exercise due diligence over its offshore sector, and more closely monitor domestic non-bank financial institutions.

Qatar (Other). Qatar is not a regional financial center. Its banking sector is small and primarily geared toward meeting domestic financial needs. It consists of six domestic banks, two Arab banks and six non-Arab foreign banks. The Qatar Monetary Authority (QMA) supervises and coordinates the banking system, and issues directives and regulations to financial institutions. In 1999 the QMA issued a circular directing banking officials to record any transaction exceeding approximately US \$8,300 in an effort to address money laundering, even though money laundering is not currently a criminal offense in Qatar. Other regulations require customer identification policies and the maintenance of bank records.

Qatar is a party to the 1988 UN Drug Convention. Qatar is a member of the Gulf Cooperation Council (GCC), which is a member of the Financial Action Task Force. GCC members met in May 2000 for a four-day seminar on combating money laundering and pledged to enhance communication and cooperation to fight international crime.

Romania (Concern). Romania has only recently begun to develop an anti-money laundering regime. Its geographic location makes it a transit country for trafficking in narcotics, arms, stolen vehicles, and illegal aliens. As in other Central and East European countries, corruption and the presence of organized criminal activity facilitate money laundering. Financial crimes, Internet fraud, and the smuggling of cigarettes, alcohol, coffee, and other dutiable commodities are other common predicate crimes for money laundering in Romania.

Romania criminalized money laundering with the adoption in January 1999 of Law No21/99-On the Prevention and Punishment of Money Laundering. Becoming effective in April 1999, the law mandated provisions for customer identification, record-keeping requirements, reporting transactions of a suspicious or unusual nature, currency transaction reporting over 10,000 Euros, a financial intelligence unit (FIU), and internal anti-money laundering procedures and training for all Romanian financial institutions covered by the law. The list of entities subject to the reporting requirements includes banks, non-bank financial institutions, attorneys, accountants, and notaries. While banking groups have not openly objected to the implementation of reporting requirements, there remains some discomfort on the part of the banking industry regarding requirements to assist law enforcement. In addition, there is mutual suspicion between law enforcement agencies and the banking industry.

The National Office for the Prevention and Control of Money Laundering (NOPCML) is Romania's FIU. The NOPCML receives and evaluates suspicious and unusual currency transaction reports. Since its establishment, the NOPCML has forwarded preliminary cases to the Public Prosecutor's Office for investigation. In 2000, Romanian prosecutors brought a complex case to trial, charging violations of the new money laundering law. The case involved an amount in excess of US \$30 million.

Romania is a member of the Council of Europe (COE) and participates in the Council of Europe's Select

Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). It underwent a mutual evaluation of this group in April 1999. The PC-R-EV Mutual Evaluation Report pointed out a number of areas that should be addressed, including the high evidentiary threshold for reporting suspicious transactions, a potential conflict with bank secrecy legislation, and the lack of provisions for cases in which the reporting provisions are intentionally ignored.

The NOPCML is a member of the Egmont Group. The Mutual Legal Assistance Treaty signed in May 1999 between the United States and Romania is not yet in force. Romania has demonstrated its commitment to international anticrime initiatives by actively participating in regional and global anticrime efforts. Romania is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

While Romania is still in the implementation phase of its anti-money laundering regime, it appears to be on the right track. By taking into account the recommendations of the COE Evaluators, Romania has a sound guide to improve its anti-money laundering regime and allow it to effectively combat money laundering and its predicate crimes.

Russia (Primary). The absence of a legal and regulatory anti-money laundering framework remains the most serious impediment in Russia's ability to control the laundering of criminal proceeds internally and to cooperate in international anti-money laundering efforts. Although precise figures are not available, the magnitude of money laundering is likely to be large given the scale of contributing factors involved. Russia's wealth in natural resources, the extent of organized crime activity, corruption, and the numerous mechanisms used for capital flight provide a broad scope for laundering of domestically generated criminal proceeds. False invoicing schemes involving the export of oil, precious metals, raw materials and alcohol, and other fictitious trade transactions are used for capital flight and tax evasion, and to mask the laundering of criminal proceeds. According to Russian government officials, about 30-40 percent of the approximately US \$20 billion that leaves Russia annually is of questionable origin.

In addition, Russia serves as a major transit route for narcotics trafficking to Europe. Porous borders and insufficient technical and financial support for regulatory and enforcement agencies hamper the government's ability to control conditions favorable to laundering the proceeds of narcotic trafficking and other criminal activity.

In the past, capital flight often has been confusingly associated with money laundering, since many of the same funds transfer methods are used to facilitate illegal laundering schemes and the transfer of capital derived from legal sources. The failure of last year's efforts to adopt anti-money laundering legislation can be attributed in part to the drafters' attempts to incorporate measures for capital flight control into the anti-money laundering legislation. The Russian government has expressed its intention to address the economic conditions that encourage capital flight separately from regulatory and enforcement measures to combat money laundering, which include reforms in Russia's taxation, customs, banking, and foreign exchange systems.

The Government of Russia undertook constructive steps in 2000 to draft anti-money laundering legislation that conform to international standards. The Ministry of Finance has led an interagency process for drafting the legislation. The current draft law addresses the weaknesses of the version vetoed in 1999 and includes strengthened provisions for customer identification, record keeping, and the creation of a financial intelligence unit. Its introduction into the Duma is expected in early 2001. Russia's efforts to draft anti-money laundering legislation have received widespread international support by the Financial Action Task Force (FATF), the Council of Europe, and the member countries of those organizations. Passage of this legislation will provide the legal basis to combat the proceeds of crime and those who assist in laundering them. Rapid implementation of the law will demonstrate Russia's resolve to mitigate its money laundering problems and become an effective partner in anti-money laundering efforts.

In 1999, the Central Bank of Russia instituted regulatory measures to scrutinize offshore financial transactions. In the following six months, wire transfers from Russian banks to offshore financial centers dropped threefold. In July 2000, President Putin vetoed the law "On Free Economic Zones." The law would have granted customs and tax advantages to various regions of the Russian Federation as a means to encourage economic development. A number of Russian businesses had flocked to these free economic zones in anticipation of passage of this and similar regional laws. Putin's veto of the law lays to rest what would have effectively provided offshore status to Russian registered businesses.

Citing the lack of a legal and regulatory framework to combat money laundering, the FATF in June 2000 named Russia among its list of 15 countries that were non-cooperative in international efforts to combat money laundering. The FATF report noted four major problems. These included: (1) the lack of anti-money laundering laws and regulations, (2) the failure to implement customer identification for many transactions, (3) the lack of suspicious transaction reporting and an operational financial intelligence unit, and (4) ineffective and untimely procedures for providing evidence for foreign money laundering investigations. These deficiencies also

prompted the United States Treasury to issue an advisory to US financial institutions, advising them "to give enhanced scrutiny to transactions or banking relationships that do not involve established, and adequately identified and understood, commercial or investment enterprises, as well as to transactions involving the routing of transactions from Russia through third jurisdictions in ways that appear unrelated to commercial necessities." Other FATF member treasuries also issued similar advisories.

Russia submitted the Council of Europe's (COE) Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention) to the Duma for ratification and participates in the COE's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). In June 2000, Russia underwent a mutual evaluation by the PC-R-EV, which was reported to the plenary in January 2001. The evaluation report made detailed suggestions to improve Russia's anti-money laundering program.

Russia is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

US law enforcement and regulatory agencies are engaged in a number of technical assistance projects designed to further Russia's anti-money laundering efforts. Although formal and informal law enforcement cooperation is on the rise, differences in money laundering laws and regulations lead to frequent misunderstandings and misperceptions. This is especially true in the handling of Mutual Legal Assistance Agreement (MLAA) requests, the main tool for providing assistance in recovering laundered funds and criminal proceeds. US technical assistance programs focused on providing law enforcement, regulators, and prosecutors anti-money laundering training to combat financial crimes. In addition, technical teams assisted Russian drafters in developing legislation meeting international standards. The technical assistance teams encouraged the adoption and implementation of money laundering laws and improved methods of mutual cooperation in money laundering investigations, prosecutions and forfeiture actions.

Russia will need to pass and implement comprehensive legislation that will provide the legal basis to attack the proceeds of crime and those who assist in laundering them in order to mitigate successfully its money laundering problems and become an effective partner in global anti-money laundering efforts.

Samoa (Concern). Samoa is an independent country in the South Pacific. Its offshore financial services sector is vulnerable to money laundering. Samoa passed the Money Laundering Prevention Act in June 2000. This law criminalizes money laundering associated with numerous crimes, and sets measures for the prevention of money laundering and related financial supervision. The law compels financial institutions, offshore and onshore, to develop and apply internal policies, procedures, and controls to combat money laundering. It requires financial institutions to record new business transactions exceeding \$30,000, to retain records for a minimum of seven years, and to identify all parties to the transactions; and should address previous concerns over the existence of anonymous accounts for onshore and offshore banks. It also requires financial institutions to report transactions considered suspicious to a Money Laundering Authority (MLA) to be appointed by the Minister of Finance. The MLA will receive and analyze these disclosures, and if it establishes reasonable grounds to suspect that a transaction involves the proceeds of crime, it will refer the information to the attorney general and the Commissioner of Police. However, there is nothing in the legislation that prohibits financial institutions from carrying out business transactions where the beneficial owner of the transactions is unknown, or represented by an intermediary who will not disclose the identity of the beneficial owner. Section 8 of the Money Laundering Prevention Act states that the new legislation will override all secrecy obligations for the purpose of money laundering prevention and enforcement. The law also requires individuals to report to the MLA if they are carrying with them \$10,000 or more in cash or negotiable instrument upon entering or leaving Samoa.

Samoa currently has 10 offshore banks. Section 16 of the Offshore Banking Act does not prohibit persons, who have been sentenced for an offense involving dishonesty, to apply to be employed as a director or manager of any offshore bank. The Act only requires prior approval in writing, of the Minister before doing so without setting any criteria to guide the decision. In addition, there is no provision in the Act that specifies the qualifications for an owner/shareholder of an offshore bank.

In addition to offshore banks, Samoa's offshore sector includes insurance companies, trusts, and international business companies (IBCs), of which there are slightly more than 4,085 currently registered. IBCs may be registered using bearer shares and shelf companies that conceal the identity of the beneficial owner and the date of incorporation of these entities. Corporate entities may be listed as officers and shareholders because Samoan IBCs have all the legal powers of a natural person. There are no requirements to file annual statements or annual returns. These provisions make IBCs particularly attractive to money launderers and have not yet been addressed by Samoan authorities.

In 2000, the Financial Action Task Force (FATF) reviewed Samoa's anti-money laundering regime and did not designate it as a non-cooperative jurisdiction. The FATF report noted that provisions in the recently enacted Money Laundering Prevention Bill addressed many of Samoa's deficiencies, but that others would need further steps. The FATF urged "the Government of Samoa to fully implement the enacted law and to strengthen the

bank licensing procedure."

Samoa is a member of the Asia/Pacific Group on Money Laundering and the South Pacific Forum.

Through the passage of the June 2000 Money Laundering Prevention Act, the Government of Samoa (GOS) has taken positive steps to strengthen its anti-money laundering regime. The GOS needs to move quickly to implement this legislative effort, to appoint the Supervisory Authority that will supervise the financial sector, and to issue guidelines to financial institutions so that they have a clear understanding of their obligations under this new law. Particular emphasis needs to be directed toward regulation of the offshore financial sector. The GOS should enact legislation to identify the beneficial owners of IBCs to help ensure that international criminals do not use them for money laundering or other financial crimes.

Saudi Arabia (Other). Saudi Arabia is not considered to be a major financial center. However, in recognition of world-wide money laundering activities, particularly those involving drugs, the Saudi Arabian Monetary Agency (SAMA) published in 1995 money laundering control guidelines to assist Saudi banks from being exploited as channels for illegal transactions and other criminal activity. During 1998, SAMA reviewed the FATF 40 Recommendations and agreed they should be implemented. Simultaneously, an inter-ministerial committee reviewed all Saudi laws related to money laundering and prepared amendments to bring them into conformance with the FATF recommendations. The proposed revisions, in the form of new legislation, were approved by the Saudi Council of Ministers in late 1999.

There is relatively strong bank supervision in Saudi Arabia and individuals or banks suspected of money laundering are subject to criminal prosecution under Shari'a (Islamic) law, the Banking Control law, and Saudi Arabian labor law. Money laundering cases are heard in a Shari'a court, which bases its jurisdiction on a Koranic passage which states that "assets arising from illegal acts shall be forbidden and confiscated." Pursuant to the new legislation, relevant Saudi ministries are formulating plans to implement the law. As part of that process, the Ministry of Interior will establish a committee that has the power to refer cases for criminal prosecution to the Saudi Board of Grievances. While Shari'a courts deal harshly with money launderers, the involvement of the Board of Grievances will allow cases to be heard in accordance with guidelines set forth in the new legislation.

SAMA requires that each bank establish internal money laundering control units to review policies, institute necessary investigations, and implement training programs. If money laundering is suspected, banks are required to notify SAMA and the police. SAMA officials and bank compliance officers meet on a monthly basis to share information on money laundering trends. The Ministry of Interior does not publicly disseminate statistics regarding money laundering investigations and prosecutions in Saudi Arabia.

Saudi Arabia is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Senegal (Other). The extent of money laundering in Senegal is not known. However, officials from the United Nations in 2000 indicated that the West African region may be fertile ground for money laundering because of drug trafficking, corruption, networks of contraband arms and precious stones, and weak mechanisms of control that can be exploited by international criminals. Article 102 of Senegal's 1997 drug code criminalizes drug laundering by providing punishment of up to 10 years imprisonment. Senegal has also enacted legislation against narcotics-related public corruption, but the law does not specifically address money laundering. The Central Bank of West African States (BCEAO), based in Dakar, is the central bank for Benin, Burkina Faso, Guinea-Bissau, Cote d'Ivoire, Mali, Niger, Senegal, and Togo, all of which use the French-backed CFA franc currency.

In November 2000 Senegal hosted a meeting of officials from 14 West African countries. The group set up the Intergovernmental Group for Action Against Money Laundering (GIABA) to coordinate their governments' actions against money laundering and other transnational crime.

Senegal is a party to the 1988 UN Drug Convention. In December 2000 Senegal signed the United Nations Convention against Transnational Organized Crime.

Seychelles (Concern). Seychelles is a developing offshore financial center and tourist destination. Currently, there is little evidence of money laundering.

The development of the offshore financial sector by the Government of Seychelles (GOS) is an attempt to diversify the economy and increase foreign exchange earnings. The GOS aggressively markets Seychelles as an offshore financial and business center that is capable of providing for the registration of non-resident companies. A major defect of the program is that it still permits the issuance of bearer shares, a feature that can facilitate money laundering by making it extremely difficult to identify the beneficial owners of an international business company (IBC). However, Seychelles officials stated in 2000 that they are reviewing the question of bearer shares and intend to outlaw them. In the interim, the GOS will not approve the issuance of any more bearer shares. The 4800 registered IBCs pay no taxes in Seychelles, and are not subject to foreign

exchange controls. Seychelles has also created the Seychelles International Trade Zone (SITZ) which is managed by the Seychelles International Business Authority (SIBA). SIBA, part of the Ministry of International Trade, acts as the central agency for the registration of IBCs. IBCs are not required to file annual reports. Seychelles also permits offshore trusts (registered through a licensed trustee) and insurance companies.

Seychelles passed anti-money laundering legislation in 1996, the Anti-Money Laundering Act, which criminalized the laundering of funds from all serious crimes; provided for the reporting of suspicious transactions and safe harbor protection for individuals and institutions making the reports; mandated record keeping and "know your customer" requirements; and provided for the forfeiture of the proceeds of crime.

The major area of concern regarding anti-money laundering practices in the Seychelles related to the Economic Development Act (EDA) of 1995. The EDA contained immunity provisions, such as protection from asset seizure and extradition, that could clearly attract international criminal enterprises wishing to shelter themselves and their proceeds from pursuit by legal authorities. While the EDA never came into force, it represented a grave threat to efforts to combat money laundering.

Both the Financial Action Task Force (FATF) and the United States reacted to the EDA. The FATF applied its Recommendation 21 on February 1, 1996. That same year, the US Treasury Department issued an advisory to US financial institutions warning them about the situation in the Seychelles. In February 2000, the FATF selected Seychelles for review as a possible non-cooperative jurisdiction. In its efforts to avoid being so-designated, the GOS, while maintaining that the EDA had never in fact gone into force, nevertheless agreed to officially repeal it, which it did on July 25, 2000. In October 2000 the FATF Plenary decided that Seychelles did not merit being named non-cooperative, and the FATF rescinded its Recommendation 21. The US Treasury has yet to rescind its advisory.

The Seychelles is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

The GOS should address the issue of bearer shares and require complete identification of beneficial ownership of IBCs. It should also establish a financial intelligence unit to collect, analyze and share financial data with foreign counterparts to effectively combat money laundering and other financial crimes.

Singapore (Primary). As a significant international financial center, Singapore attracts investors from around the world, including money launderers. Bank secrecy laws and the lack of routine currency reporting requirements may make Singapore attractive to drug traffickers seeking to launder and move their money. However, recent legislation and regulations significantly weaken bank secrecy in cases involving most serious criminal activity, including narcotics-related money laundering. To bolster law enforcement cooperation and facilitate information exchange, including information to combat narcotics related money laundering, Singapore and the US signed the Drug Designation Agreement (DDA) in November 2000, after three years of negotiations. It is expected to enter into force in early 2001. The DDA is the first such agreement Singapore has undertaken with another government and is also the first agreement made under the auspices of Singapore's Mutual Assistance in Criminal Matters Act that was enacted early in 2000. The DDA, however, is only limited to narcotics cases and does not apply to non-narcotics related money laundering or financial fraud cases.

Singapore is a major offshore financial center. As of December 2000, there were 83 offshore banks in Singapore, all branches of foreign banks. There are no offshore trusts, although banks may open trust, nominee, and fiduciary accounts. All banks in Singapore, whether domestic or offshore, are subject to the same regulation, record keeping and reporting requirements. There are also hundreds of offshore international and financial service businesses. An offshore company must have a local registered office with a physical address and a minimum of two directors, at least one of whom must be a Singaporean citizen; permanent resident or employment pass holder. Bearer shares are not permitted. A company incorporated in Singapore has the same powers as a natural person.

The Corruption, Drug Trafficking and other Serious Crimes (Confiscation of Benefits) Act 1999 (CDSA) criminalized the laundering of proceeds from narcotics and over 150 other offenses. Financial institutions must report suspicious transactions and positively identify customers engaging in large currency transactions. Banks are required to maintain adequate records to respond quickly to the Government of Singapore's (GOS) inquiries in money laundering cases. However, there are no reporting requirements on amounts of currency that can be brought into or out of Singapore.

The GOS enacted the Mutual Assistance in Criminal Matters Act (MACM) in March 2000. The MACM consolidated the existing mutual assistance provisions of the Drug Trafficking Act (DTA) of 1993 and ensured that the GOS could share records in connection with narcotics investigations and proceedings. The MACM applies to countries that have concluded treaties, memoranda of understanding or other agreements with Singapore.

The MACM paved the way for the signature of the Drug Designation Agreement (DDA) with the United States in November 2000. The DDA will facilitate the exchange of banking and corporate information on drug money laundering suspects and targets to include access to bank records, reciprocal honoring of seizure/forfeiture warrants to include the execution of these warrants and the freezing and/or forfeiture of the proceeds of the drug trafficking, testimony of witnesses, service of process, and the sharing of seized assets. Implementation and use of the DDA is expected to result in significant seizures of narcotics-related proceeds in the years ahead.

In February 2000, the Monetary Authority of Singapore (MAS) issued a series of regulatory guidelines (i.e., "Notices") requiring banks to apply "know your customer" standards, adopt internal policies for staff compliance, and cooperate with enforcement agencies on money laundering cases. Banks must obtain documentation, such as passports or identity cards, from all personal customers so that the bank can verify their names, permanent contact addresses, dates of birth, and nationalities, and conduct inquiries into the bona fides of company customers. The regulations specifically require that banks obtain evidence of the identity of the beneficial owners of shell companies or trusts. The guidelines also mandate specific record keeping and reporting requirements, outline examples of suspicious transactions that should prompt reporting, and establish mandatory intra-company point-of-contact and staff training requirements. MAS Notice 626 applies to banks; Notice 824 applies to Finance Companies; Notice 1014 applies to Merchant Banks; and Notice 314 to Direct Life Insurers and Brokers. MAS issued similar guidelines for securities dealers and investment advisors, and futures brokers and advisors.

The Suspect Transaction Reporting Office (STRO) began operating on 10 January 2000 and receives and analyzes suspicious transaction reports filed by financial institutions. It is also authorized to exchange intelligence derived from these reports with foreign counterparts.

Singapore is party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. Singapore is a member of the Financial Action Task Force (FATF), the Asia Pacific Group (APG) on Money Laundering, and the Offshore Group of Banking Supervisors (OGBS).

The GOS should continue close monitoring of its domestic and offshore financial sectors. It should also extend the DDA to cover non-narcotics related money laundering and financial fraud cases. As a major financial center, it should also consider measures to monitor large currency movements into and out of the country to ensure that international criminals do not abuse Singapore's financial system.

Slovakia (Concern). The geographic, economic, and legal conditions that shape the money laundering environment in Slovakia are typical of those in other Central European countries. Slovakia's location along the major lines of communication connecting Western, Eastern, and Southeastern Europe make it a transit country for smuggling and the trafficking in narcotics, arms, stolen vehicles, and illegal aliens. Organized crime activity and the opportunities to use gray market channels for laundering also lead to a favorable money laundering environment. Financial crimes such as fraud, tax evasion, embezzlement, and conducting illegal business have been particularly problematic for Slovak authorities. Money laundering schemes carried out in Slovakia are also typical of other countries in transition. These include the use of the financial sector for the movement of criminal proceeds, fictitious companies, false invoicing schemes, and false documentation of imports and exports. Banks, insurance companies, and casinos are employed as money laundering mechanisms. Non-bank financial institutions have been particularly susceptible to laundering because until recently (January 1, 2001) they were not subject to transaction reporting requirements.

Slovakia's anti-money laundering legislation, Act N^o 249/1994 as amended by Act N^o 58/1996 "To Prevent the Laundering of Proceeds of Most Serious Crimes, Particularly of Organized Crime and to Amend Some Other Statutory Provisions Enacted by the Authority of the National Council of the Slovak Republic," became effective on October 1, 1994. Article 252 "Legalization of Proceeds from Criminal Activity" of the Slovak Criminal Code came into force at the same time. These measures criminalize money laundering, require customer identification and record keeping, and require banks to report suspicious transactions.

In October 2000, the Slovak Parliament adopted the law "On Protection Against the Legalization of Proceeds from Criminal Activities." It requires non-bank financial institutions to report suspicious transactions beginning January 1, 2001. Non-bank financial institutions subject to the new law are: casinos, post offices, brokers, stock exchanges, commodity exchanges, asset management companies, insurance companies, tax advisors, auditors, and credit unions. The law also abolishes anonymous passbook savings accounts.

The financial intelligence unit (OFIS) of the Bureau of Financial Police (UFP) has jurisdictional responsibilities for money laundering violations. In its role as Slovakia's financial intelligence unit, the OFIS-UFP receives and evaluates the suspicious transaction reports, and collects additional information to establish the suspicion of money laundering. Once enough information has been obtained to warrant suspicion that a criminal offense has occurred, the OFIS-UFP forwards the case to the State Prosecutor's Office for investigation and prosecution.

Slovakia is a member of the Council of Europe (COE) and participates in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). Slovakia became a member of the Organization for Economic Cooperation and Development (OECD) in December 2000, which will expand opportunities for multilateral engagement on combating money laundering. Slovakia underwent a mutual evaluation by this group in 1998 and has been implementing changes to its money laundering regime based on the report's recommendations. The OFIS-UFP is a member of the Egmont Group. Slovakia is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Slovakia continues to improve its anti-money laundering legislation. Implementation of the provisions of Slovakia's newly passed anti-money laundering legislation will give the Slovak financial system greater protection by helping it prevent and detect money laundering in all financial sectors, not just the banking system.

Slovenia (Other). Slovenia's economic stability and location on the Balkan drug route offer attractive opportunities for money laundering. Major sources of illegal proceeds are auto theft, narcotics trafficking, fraud, tax evasion, and alien smuggling. Organized crime activity is increasing, although it is less of a problem than in neighboring countries. Money laundering occurs through the banking system, currency exchange houses, casinos, real estate transactions, and the physical transport of currency across borders.

Slovenia's 1994 Law on Prevention of Money Laundering criminalized money laundering. It requires all financial institutions, casinos, and legal and natural persons to report suspicious transactions and currency transactions above US \$22,000. Customer identification is mandatory for all single transactions, and for series of transactions, exceeding US \$13,500. Records must be retained for a minimum of five years.

Slovenia has a financial intelligence unit (FIU), the Office for Money Laundering Prevention, which is a member of the Egmont Group. Slovenia underwent a mutual evaluation by the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). Slovenia is a party to the 1988 UN Drug Convention. In December 2000, Slovenia signed the United Nations Convention against Transnational Organized Crime.

Solomon Islands (Other). Drug trafficking does not occur on a significant scale in the Solomon Islands. The Islands' banking system is small and has no offshore sector. The country has not criminalized money laundering.

The Solomon Islands is not a party to the 1988 UN Drug Convention.

South Africa (Concern). South Africa's position as the major financial center in the region and its relatively sophisticated and unprotected banking and financial sector make South Africa a very attractive target for the criminal syndicates that have located there. The Russian Mafia, Chinese Triads, and Nigerian drug traffickers have been identified in South Africa, along with native South African criminal groups. Diamonds and weapons smuggling, trade in endangered species, narcotics trafficking, and money laundering are major criminal activities challenging local law enforcement. In late 2000, the Government of South Africa (SAG) sent new legislation, the Financial Intelligence Center Bill, to parliament that when passed and implemented will substantially increase the SAG's ability to combat these crimes.

Money laundering for all serious crimes was criminalized by the Proceeds of Crime Act, No. 76 of 1996. This Act was superseded by the Prevention of Organized Crime Act, No. 121 of 1998 (POCA), which also criminalizes money laundering, mandates the reporting of suspicious transactions, and provides a "safe harbor" for good-faith compliance. Subsequent regulations directed that these reports be sent to the commercial Crime Unit (CCU) of the South African Police. Both of these Acts contain criminal and civil forfeiture provisions. However, South Africa has been unsuccessful in implementing this existing anti-money laundering legislation. The POCA was amended several times, and several challenges to arrests and seizures are pending.

The Financial Intelligence Center Bill (FICB), submitted to Parliament in late 2000, provides for the establishment and staffing of a Financial Intelligence Center (FIC) that would coordinate policy and efforts to counter money laundering activities and act as a centralized repository of information. The bill would require a wide range of financial institutions to identify customers, maintain records of transactions for at least five years, and report transactions of a suspicious nature to the FIC. If it has reasonable grounds to suspect that a transaction involves the proceeds of criminal activities, the FIC will forward this information to the investigative and prosecutorial authorities. The bill would also establish a Money Laundering Advisory Council to advise the Minister of Finance on policies and measures to combat money laundering. The FICB is expected to be enacted in 2001.

South Africa has no offshore financial center.

South Africa is a party to the 1988 UN Drug Convention and in December 2000 signed the United Nations Convention against Transnational Organized Crime. The United States and South Africa have concluded a

bilateral extradition treaty and a Mutual Legal Assistance Treaty, both of which are expected to enter into force in 2001. South Africa is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and is expected to sign the group's memorandum of understanding in 2001.

Enactment and implementation of the FICB, currently before Parliament, would significantly strengthen South Africa's anti-money laundering regime and help protect South Africa's banking sector from abuse by criminals and criminal organizations.

Spain (Primary). Money laundering occurs primarily in Spain's financial system, although there are indications that funds are also being laundered through the acquisition and sale of real estate. Spanish authorities have noted that traffickers continue to use courier networks to remit large amounts of bulk cash to South America and the Middle East. The one area that drug trafficking organizations may be able to exploit is the stock market because it falls outside of the money laundering legislation.

The Government of Spain (GOS) has been addressing the money-laundering problem through the 1993 Prevention of Money Laundering Act and its corresponding 1995 implementing regulations. The Act criminalizes the laundering of proceeds linked to the illicit drug trade, terrorism and organized crime. Subsequent to the 1993 Act, reforms made to the Penal Code in December 1995 extended the criminalization of money laundering to all serious crimes.

The financial sector, particularly the banking community, continues to respond positively to the requirements of the Act and the regulations that require the reporting of the identities of customers engaging in large currency transactions, the maintenance of records, and the reporting of suspicious financial transactions. These reporting requirements apply to other financial sectors including credit card companies, currency exchange houses, jewelers, dealers in antiques, art stamps and coins, credit unions, and companies dealing in investments, securities, and/or insurance. The Act established the Commission for the Prevention of Money Laundering and Monetary Offenses to coordinate all of Spain's anti-money laundering efforts, and the Executive Service of this Commission (SEPBLAC) functions as Spain's financial intelligence unit (FIU). SEPBLAC receives and analysis the reports of suspicious financial transactions and forwards those indicating money laundering activity to law enforcement. SEPBLAC is a member of the Egmont Group of FIUs.

Spain continues to provide training and promote institution-building programs aimed at increasing the effectiveness of the judicial and law enforcement sectors, particularly in South and Central America. Spain is a member of the Financial Action Task Force (FATF), and currently holds the presidency until June 2001. Spain is also an observer member of the newly created South American Financial Action Task Force (GAFISUD), and a Cooperating and Supporting Nation of the Caribbean Financial Action Task Force (CFATF). Spain is a member of the EU, a party to the 1988 UN Drug Convention, and in December 2000 it signed the United Nations Convention against Transnational Organized Crime.

Spain has signed criminal legal assistance agreements with the United States, Australia, Chile, Canada, Argentina, Mexico, the Dominican Republic, Uruguay and Morocco. Spain's Mutual Legal Assistance Treaty with the United States has been in force since 1993. In addition, a number of Spain's bilateral agreements to fight drug trafficking and organized crime provide for cooperation through information exchange and mutual assistance in combating money laundering. The countries with which Spain has concluded agreements in these areas include France, Portugal, the United Kingdom, Turkey, Italy, Chile, the Russian Federation, Israel, Bolivia, Mexico, El Salvador, Venezuela, Uruguay, Malta and Panama.

The GOS should continue its strong enforcement of its anti-money laundering program and international leadership to combat money laundering. It should also consider measures to address possible money laundering in the stock market to ensure that this sector is not used for financial crimes.

Sri Lanka (Other). Sri Lanka is not considered to be money laundering center, and it is not a tax haven, offshore banking facility or important financial center in the region. The government neither facilitates nor encourages money laundering. Sri Lanka maintains strict currency controls that inhibit money laundering activity.

Sri Lanka's Bank Secrecy Act makes financial transactions relating to narcotics trafficking illegal. In 2000, the central bank assisted in formulating a draft anti-money laundering bill that contains know your customer provisions and would hold bank directors liable if their institutions are used for money laundering. This legislation has not yet been presented to Parliament.

Sri Lanka is a party to the 1988 UN Drug Convention and a member of the Asia/Pacific Group on Money Laundering (APG). In December 2000 Sri Lanka signed the United Nations Convention against Transnational Organized Crime.

St. Kitts and Nevis (Primary). St. Kitts and Nevis is a federation composed of two islands located in the eastern Caribbean Sea. It is at major risk for money laundering mainly because of the high volume of drug trafficking activity through and around the islands, the presence of known traffickers on the islands, and

offshore services that protect client secrecy. A number of Russian organized crime figures have taken up residence in St. Kitts.

Although St. Kitts has an offshore sector that includes approximately 500 "exempt companies" (international business companies), most of the financial activity in the Federation is concentrated in Nevis, whose economy has become increasingly dependent upon the fees generated by the registration of offshore entities. One offshore bank and more than 19,000 offshore companies are registered in Nevis. St. Kitts and Nevis also offers offshore trusts, and as of mid-1999 had issued 10 Internet gaming licenses. As elsewhere in the Caribbean, St. Kitts and Nevis also provides an economic citizenship program by which one can buy St. Kitts and Nevis nationality and adopt a new name. St. Kitts and Nevis has the oldest economic citizenship program in the eastern Caribbean under the Citizenship Act of 1984. International law enforcement officials have criticized these programs, as they provide the opportunity for criminals to create new identities that are used to facilitate travel and create offshore companies for money laundering, financial fraud, and other illicit activities.

The anti-money laundering regime embodied in the legal, supervisory, and regulatory systems of St. Kitts and Nevis suffers from serious systemic problems. The Proceeds of Crime Act 1993 criminalized drug-related money laundering, mandated record keeping by financial institutions, and permitted reporting of suspicious transactions. But financial institutions operating in St. Kitts and Nevis are still not required to report suspicious transactions. Moreover, drug money laundering is punishable only by the imposition of fines. The bank secrecy laws of St. Kitts and Nevis also prohibit governmental authorities from obtaining financial information about customer identification and transactions that are collected and maintained by financial institutions. Offshore companies (including those that operate as financial institutions) registered in Nevis are not effectively supervised. Bearer shares allow anonymous corporate ownership, and entities do not require verification of the identity of customers, or maintenance of records relating to the identity of customers.

Citing these deficiencies, the Financial Action Task Force (FATF) identified St. Kitts and Nevis as "non-cooperative" in the fight against money laundering.

The US Treasury Department issued an advisory on St. Kitts and Nevis in July 2000 advising banks and other financial institutions operating in the United States "to give enhanced scrutiny to all financial transactions originating in or routed to or through the Federation of St. Kitts and Nevis, or involving entities organized or domiciled, or persons maintaining accounts in St. Kitts and Nevis."

St. Kitts and Nevis is a member of the Caribbean Financial Action Task Force (CFATF) and underwent a mutual evaluation in February 1999. After extended delays by the Kittian government, the report was finally discussed and adopted at the October 2000 CFATF Council meeting in Aruba.

In response to findings of the CFATF mutual evaluation, as well as the FATF designation, the Government of St. Kitts and the Nevis Island (GOSKN) established a task force that includes officials from both jurisdictions. The task force is working to revise offshore legislation and regulations as well as to establish a financial intelligence unit.

In November 2000, the GOSKN enacted several new measures to address some of the deficiencies in its anti-money laundering regime. The Proceeds of Crime Act 2000 criminalizes the laundering of proceeds from all serious offenses ("any offense triable on indictment or hybrid offences from which a person has benefited"). The Financial Intelligence Unit (FIU) Act 2000 establishes the legislative basis for an FIU that will be able to cooperate with foreign counterparts, although it appears the unit would not be able to cooperate during the information phase. Rather, it could share information only after criminal proceedings against a subject have already begun. The Financial Services Commission Act 2000 creates the legal basis for the appointment by the Minister of Finance of a commission that will include one regulator for St. Kitts and one for Nevis for the islands' onshore sectors.

St. Kitts and Nevis has signed a mutual legal assistance treaty (MLAT) with the United States, which entered into force in early 2000. St. Kitts and Nevis is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. St. Kitts and Nevis is a party to the 1988 UN Drug Convention.

The GOSKN needs to build upon its recent efforts to improve its anti-money laundering regime to meet international standards. New laws and regulations should be consistent in both islands of the federation. The GOSKN should enact legal measures to require registration of the beneficial owners of companies and bank accounts and provide adequate resources to enforce compliance by offshore entities. In addition, the GOSKN should quickly establish a financial intelligence unit and provide it the legal authority to share information with foreign counterparts during the information-gathering phase of an investigation. It should also institute better control and due diligence in its economic citizenship program to prevent possible abuse by international criminals.

St. Lucia (Concern). St. Lucia is not a major financial center. However, St. Lucia has recently developed an offshore financial services center that could make the island more vulnerable to money laundering and other

financial crimes.

In November 1999 the Government of St. Lucia (GOSL) enacted the Money Laundering (Prevention) Act, which criminalizes the laundering of proceeds relating to 15 prescribed offenses, including drug trafficking, corruption, fraud, terrorism, gambling, and robbery. It contains know-your-customer provisions, suspicious transaction reporting requirements, and record keeping requirements. These obligations apply to domestic and offshore financial institutions, including credit unions, trust companies, and insurance companies. The Proceeds of Crime Act 1993 requires financial institutions to retain account opening information and details of transactions for seven years. The Money Laundering (Prevention) Act now imposes a duty on financial institutions to take "reasonable measures" to establish the identity of customers, and requires accounts to be maintained in the true name of the holder. In addition, the Act now requires an institution to take reasonable measures to identify the underlying beneficial owner when an agent, trustee, or nominee operates an account. In April 2000, the Financial Services Supervision Unit issued detailed guidance notes, entitled "Minimum Due Diligence Checks, to be Conducted by Registered Agents and Trustees."

The Act also established the Money Laundering (Prevention) Authority in early 2000. This Authority consists of five persons "who have sound knowledge of the law, banking or finance." The Authority's functions include receipt of suspicious transactions reports, the subsequent investigation of the transactions, dissemination of information within or outside of St. Lucia, and the monitoring of compliance with the law. The Money Laundering (Prevention) Act imposes a duty on the Money Laundering (Prevention) Authority to cooperate with foreign competent authorities. Assistance includes the provision of documents, giving of testimony, undertaking of examinations, execution of search and seizure, and the provision of information and evidential items. The legislation is new; therefore, there is no experience of its effectiveness.

In 1999 the GOSL also enacted a comprehensive inventory of offshore legislation, consisting of the International Business Companies (IBC) Act, the Registered Agent and Trustee Licensing Act, the International Trusts Act, the International Insurance Act, the Mutual Funds Act, and the International Banks Act. The sector presently has one offshore bank, three insurance companies, and approximately 100 IBCs.

The IBC Act does not provide for a licensing regime, but allows for a simple registration process, which is automatic upon submission of the correct documents and is controlled by a private sector company that also has responsibility for marketing the OFC. IBCs intending to engage in banking, insurance or mutual funds business may not be registered without the approval of the Minister. An IBC may be struck off the register on the grounds of carrying on business against the public interest.

As a member of the Caribbean Financial Action Task Force (CFATF), St. Lucia underwent a first mutual evaluation in compliance with CFATF requirements. The report on the evaluation, which preceded the establishment of St. Lucia's offshore sector, was reviewed at the July 1999 CFATF Plenary.

The Financial Action Task Force (FATF) reviewed the anti-money laundering regime of St. Lucia in 2000, and although it did not determine St. Lucia to be non-cooperative in international efforts to combat money laundering, the FATF did make the following comments:

Although St. Lucia enacted relatively comprehensive new money laundering legislation early this year, it appears not to have structured its offshore financial services regulatory regime in such a way as to prevent conflicts of interest with the private sector in decision-making and operations. This conflict of interest has the potential of undermining the anti-money laundering system. It also appears as though the regulatory body may not be staffed sufficiently to oversee the rapidly developing offshore services sector. The FATF urges St. Lucia to remedy these deficiencies and will follow up progress in the matter.

St. Lucia is a party to the 1988 UN Drug Convention and a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering.. In February 2000, St. Lucia and the US brought into force, by an exchange of instruments of ratification, a Mutual Legal Assistance Treaty and an extradition treaty.

The GOSL should strongly enforce the Money Laundering (Prevention) Act and establish the Money Laundering (Prevention) Authority to act as a financial intelligence unit. It should also move quickly to prevent the intermingling of the government's regulatory role and its responsibilities with respect to commercial marketing of the sector. The GOSL also needs to devote adequate resources toward regulating the new offshore financial sector to ensure that money launderers and other criminals do not abuse it.

St. Vincent and the Grenadines (Primary). St. Vincent and the Grenadines (SVG) has a growing offshore sector that is vulnerable to money laundering because of its inadequate regulation and strict secrecy laws. SVG is a transshipment point for cocaine, and marijuana production plays an important role in the local economy. However, the amounts do not reach the major-producer threshold nor do they significantly affect the United States.

SVG's offshore sector offers banks, trusts, insurance companies, international business companies (IBCs),

mutual funds, international shipping companies, and Internet gaming licenses. SVG assures individuals who are seeking to protect their assets from civil judgement that SVG will not cooperate with foreign civil courts. Section 39 of the International Trust Act restricts recognition of foreign judgements against asset protection trusts established in SVG. IBCs may register on-line, issue bearer shares, and take advantage of pre-named "shelf-companies" that disguise the true dates of incorporation. IBCs also are not required to file accounts with any authority, and are exempt from taxes for 25 years.

Recently, SVG created the legislative framework for an economic citizenship program—and has publicly projected that it could earn approximately US \$4.5 million in 2000 from passport sales.

In 1996, SVG passed legislation that created the Offshore Finance Authority (OFA) as the sole body regulating its offshore sector. The OFA also is engaged in marketing the offshore sector, thereby creating a conflict of interest. The OFA is responsible for appointing an offshore finance inspector, licensing and regulating offshore banks, and overseeing the activities of the Registrar of Companies, the entity responsible for approving IBC licenses. The OFA's staff of 11, which includes clerical staff, must supervise SVG's 28 offshore banks and approximately 11,000 IBCs.

The Eastern Caribbean Central Bank (ECCB) supervises SVG's five domestic banks. In 1995, the ECCB issued Anti-Money Laundering Guidance Notes that follow CFATF recommendations. However, the Guidance Notes apply only to the domestic banking sector and lack enforcement mechanisms. The ECCB Guidance Notes do not apply to SVG's non-bank financial institutions, businesses, or the offshore sector.

The Proceeds of Crime Act (PCA) 1997 criminalizes money laundering related to the proceeds of crime and organized fraud. However, the Act's definition of "proceeds of crime" is not clear. The PCA obliges financial institutions to maintain records related to the opening and closing of accounts and transactions that exceed Eastern Caribbean \$5,000 (approximately US \$1,800) for a minimum of seven years. The PCA also authorized financial institutions to voluntarily report transactions to a police officer or the Director of Public Prosecutions if the institution had reasonable grounds to believe that the transaction involved the proceeds of crime. According to SVG authorities, the Proceeds of Crime (Amendment) Act 1999 makes this reporting system mandatory, and obliges financial institutions to report currency transactions that exceed US \$10,000 to the Anti-Money Laundering Committee (AMLC). SVG authorities, however, have not yet produced copies of this amended act. The AMLC is comprised of representatives from law enforcement, Customs, and the Offshore Finance Authority, and is tasked with reviewing reports from financial institutions and recommending further investigation if necessary. To date, the AMLC has not met.

In June 2000, the Financial Action Task Force (FATF) identified SVG as one of 15 countries that are non-cooperative in international efforts to combat money laundering. The FATF cited several concerns in its accompanying report:

There are no anti-money laundering regulations or guidelines in place with respect to offshore financial institutions, and thus no customer identification or record-keeping requirements or procedures. Resources devoted to supervision are extremely limited. Licensing and registration requirements for financial institutions are rudimentary. There is no system to require reporting of suspicious transactions. IBC and trust law provisions create additional obstacles, and the Offshore Finance Authority is prohibited by law from providing international cooperation with respect to information related to an application for a license, the affairs of a licensee, or the identity or affairs of a customer of a licensee. International judicial assistance is unduly limited to situations where proceedings have been commenced against a defendant in a foreign jurisdiction.

The US Treasury Department issued an advisory to US financial institutions, indicating that they "should give enhanced scrutiny to any transaction originating in or routed to or through St. Vincent and the Grenadines, or involving entities organized or domiciled, or persons maintaining accounts, in St. Vincent and the Grenadines."

Since issuance of the FATF's report, SVG has addressed some of the deficiencies in its anti-money laundering regime. In July 2000, it revoked the license of six offshore banks for non-compliance with certain provisions of the Offshore Banking Act (OBA), such as refusal to make quarterly statements of accounts and submit audited financial statements. The owner of one of these banks subsequently demanded repayment of alleged loans that he claimed his bank had made to government officials. All the alleged recipients have denied procuring such loans. These loans would have been illegal under the OBA because offshore banks are prohibited from having business dealings with Vincentian citizens.

In August 2000, SVG amended the International Banks Act (IBA) to increase the OFA's oversight of offshore banks, and amended the Confidential Relationships Preservation Act to allow the offshore finance inspector greater access to banking information. However, there continue to be significant restrictions on the sharing of such information with international authorities. In October 2000, SVG again amended the IBA to allow the offshore financial inspector access to the name or title of an account of a customer and any other confidential information about the customer that is in the possession of a licensee.

SVG is a member of the CFATF and has undergone a mutual evaluation by that body. In addition, SVG is a

member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. SVG is a party to the 1988 UN Drug Convention.

Current SVG law limits the exchange of financial information, the sharing of assets and the degree of cooperation with foreign authorities on financial investigations. For example, the Confidential Relationships Preservation (International Finance) Act of 1996 could impede international cooperation, although its most restrictive section has been removed. An updated extradition treaty and a Mutual Legal Assistance Treaty (MLAT) between the United States and SVG entered into force in September 1999.

SVG must fully implement the recommendations of the CFATF mutual evaluation and address concerns identified by the FATF. SVG also should ensure that it properly supervises the offshore sector and adequately trains regulatory and law enforcement personnel on money laundering operations and investigations. SVG should put into place a mechanism to ensure separation between the offshore sector regulatory and marketing responsibilities. SVG is urged to exercise particular caution in implementing an economic citizenship program, since without proper due diligence, such a program could offer an avenue for international criminals to hide both themselves and their illicit profits.

Suriname (Other). Although money laundering is believed to occur in Suriname—primarily through the sale of gold purchased with illicit funds and manipulation of commercial and state-controlled bank accounts—no data is available for 2000 on its extent. Casinos also may facilitate money laundering. The police have created a financial investigative unit; however, Suriname's overall anti-money laundering regime is considered weak.

In mid-2000, Suriname resumed its participation in the Caribbean Financial Action Task Force (CFATF). In November 2000, the CFATF conducted a mutual evaluation of Suriname's anti-money laundering regime. The results have not yet been presented to the CFATF Plenary. CFATF also has offered to assist the Government of Suriname in drafting new anti-money laundering legislation that would meet international standards.

Suriname is a party to the 1988 UN Drug Convention, and is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering.

Swaziland (Other). International drug trafficking continues to grow in Swaziland, increasing the threat of money laundering. Swaziland's proximity to South Africa, lack of effective antidrug legislation; limited enforcement resources; a relatively open society; and a developed economic infrastructure contribute towards making Swaziland attractive as a regional base or transshipment point for trafficking organizations and increases the risk for money laundering.

Swaziland's 1929 narcotics law does not address conspiracy, asset seizure, or money laundering. However, the Swazi government plans to address these issues. Parliament is expected to review and pass a new Money Laundering Bill in the first quarter of 2001. The Money Laundering Bill outlines penalties for money laundering, designates the Central Bank of Swaziland as the supervisory authority, and provides conditions when assets may be frozen and forfeited. Unfortunately, the bill's penalties for money laundering appear relatively weak: six years imprisonment, a fine amounting to roughly \$2,600, or both. Swaziland also has an extradition treaty with South Africa, as well as a protocol and mutual understanding on narcotics with Commonwealth Countries.

Swaziland is party to the 1988 UN Drug Convention. In December 2000 Swaziland signed the United Nations Convention against Transnational Organized Crime. Swaziland is expected to sign the Memorandum of Understanding of the newly formed Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style body, in the near future.

Sweden (Other). In 1999, Swedish anti-money laundering legislation was amended to cover all types of proceeds from criminal activity. Previously, money launderers were usually prosecuted for a receiving offense, such as receiving stolen goods. This tightening up of existing money laundering control was intended to allow Sweden to fulfill the recommendations of the Hague Forfeiture Convention.

Swedish law requires financial institutions, insurance companies, and currency exchange houses to verify customer identification, inquire into a transaction's background, and verify identities for each transaction, particularly in the case of new customers involving amounts above SEK 110,000 (US\$ 13,250). Any suspicious individuals/transactions are required to be reported to the police financial intelligence unit (FIU). The law was changed in 1999 so that non-complying institutions would be sanctioned, rather than individual officers. Since 1999, the FIU has been entitled to demand customer information from dealers in antiques, jewelry, and art; companies buying and selling new and used vehicles; and firms dealing with gambling and sale of lottery tickets. Starting January 1, 2001, this requirement applies to money transfer companies as well. Swedish law also provides for the seizure of assets derived from drug-related activity.

Sweden has endorsed the September 1997 Basle committee "Core Principles for Effective Banking Supervision." Sweden is a member of the Financial Action Task Force, the Council of Europe, and its FIU is a member of the Egmont Group. Sweden is a party to the 1988 UN Drug Convention and in 2000 it signed the United Nations Convention against Transnational Organized Crime.

Switzerland (Primary). Switzerland is a major international financial center. The country is attractive to money launderers because of the strength of the Swiss Franc (SFR) and the sophisticated nature of financial services in Switzerland. Although Swiss bank secrecy rules may appear vulnerable to abuse by those transferring illegally obtained assets, Swiss authorities waive secrecy rules in the prosecution of money laundering and other criminal cases.

Switzerland is a transit point for drugs en route to other European countries, and the destination for narcotics deliveries, especially heroin and cocaine. Reporting indicates that criminals attempt to launder proceeds in Switzerland from a wide range of illegal activities conducted worldwide, particularly narcotics trafficking and corruption. Both Swiss and foreign individuals or entities conduct money laundering activities. However, narcotics-related money laundering proceeds are largely controlled by foreign drug-trafficking organizations.

Money laundering was criminalized by Article 305bis of the Swiss Penal Code. Articles 58 and 305ter of the Swiss Penal Code, CFB (Swiss Federal Banking Commission) Directive 91/3 of 1/7/98, and the Agreement on the Banks' Obligation of Diligence also address money laundering. Switzerland has implemented legislation for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets.

On April 1, 1998, Switzerland enacted the Money Laundering Act (MLA), which extended money laundering regulations to non-bank financial institutions. The MLA mandated that all financial intermediaries join an accredited self-regulating body (SRB), or apply for direct supervision under the Money Laundering Financial Control Authority (MLCA) of the Federal Finance Administration, by April 1, 2000. The SRBs must be independent of the management of the intermediaries they supervise, and enforce compliance with due diligence obligations. Non-compliance can result in a SFR 200,000 fine, or a revoked license. Between 12,000 to 15,000 fiduciaries operate in this previously unregulated arena. Key non-bank intermediaries have failed to comply with the law. Some are challenging the law in court, others are lobbying to have the law weakened. Attorneys in the finance department ruled against prosecution of two precedent cases of non-compliance referred by the MLCA. Another 28 cases are on hold while the finance department decides how to deal with the lack of cooperation from approximately half of the country's financial intermediaries.

In December 1999, the Efficiency Bill was passed by parliament. The purpose of this bill is to make the prosecution of organized crime, money laundering, corruption and other white-collar crime more effective, by increasing personnel and financing of the criminal police section of the Federal police office. The new law gives the Federal police and Attorney General's Office the authority to handle cases with international scope, involve several cantons, or which deal with money laundering, organized crime, corruption, and white-collar crime. The law becomes effective January 1, 2002.

The Money Laundering Reporting Office Switzerland (MROS) is Switzerland's financial intelligence unit, and is a member of the Egmont Group. All financial intermediaries (banks, insurers, fund managers, currency exchange houses, securities brokers, etc) are legally obliged to establish customer identity when forming a business relationship. They also must notify the MROS, or a government authorized supervisory body, if a transaction appears suspicious. If financial institutions determine that the assets were derived from criminal activity, the assets must be frozen immediately until a prosecutor decides on further action. In June 2000, the MROS published its second annual report covering April 1999 through March 2000. During this reporting period, the MROS received 370 reports of suspicious activity concerning assets in the amount of US \$15,500,000. Of these reports, 55 were for suspected money laundering. MROS reported that 63 percent of the reports forwarded to the prosecuting authorities the previous year actually resulted in criminal proceedings that are still underway.

Credit Suisse was among the Swiss banks to be severely rebuked by the Federal Banking Commission in the money laundering scandal concerning more than US \$600 million {\$4 billion} that were stolen from Nigeria by General Abacha during his dictatorship. Recently, the Swiss Federal Banking Commission filed a complaint with the Swiss Bankers Association (SBA) over the US \$214 million that Credit Suisse had accepted from two sons of General Abacha. The SBA is studying whether to levy a fine, which could cost Credit Suisse up to SFR 10 million. In October 2000, eleven international private banks, including the Credit Suisse Group, agreed to voluntary anti-money laundering guidelines (known as the Wolfsberg Principles) for private banking developed in collaboration with the NGO Transparency International. Also, a recent anticorruption law makes bribery of foreign officials a predicate offense under Swiss law for money laundering.

Switzerland's banking industry offers the same account services for both residents and non-residents alike. These can be opened through various intermediaries who advertise their services. As part of Switzerland's international financial services, banks offer certain well-regulated offshore services, including permitting non-residents to form offshore companies to conduct business, which can be used for tax reduction purposes. Swiss law obliges financial intermediaries to verify the identity of customers in all cases.

The Swiss Commercial Law does not recognize any offshore mechanism per se and its provisions apply equally to residents and non-residents. The stock company and the limited liability company are two standard forms of incorporation offered by Swiss Commercial Law. The financial intermediary is required to verify the identity of the beneficial owner of the stock company. The financial intermediaries must also be informed of any

change regarding the beneficial owner. The stock company requires that US \$64,000 of share capital be deposited prior to formation of the company. From this capital, bearer shares may be issued. The Limited Liability Company requires share capital of US \$12,800 to be on deposit before the company can be formed. This type of company cannot issue bearer shares, the identity of the beneficial owner must be disclosed, and is listed in the commercial register.

Switzerland cooperates with the US to trace and seize assets, and has shared a large amount of funds seized with the US government (USG) and other governments. The Government of Switzerland has worked closely with the USG on numerous money laundering cases. The banking community cooperates with enforcement efforts. In addition, new legislation permits "spontaneous transmittal"—allowing the Swiss investigating magistrate to signal to foreign law enforcement authorities the existence of evidence in Switzerland. For example, the Swiss used this provision to signal to Peru regarding accounts linked to former Peruvian presidential advisor Montesinos.

On December 4–5, 2000, the US–Swiss Joint Economic Commission consultations on International Economic Crime were held in Bern, Switzerland. The participants consisted of Swiss officials, US Justice, Treasury, State, Federal Reserve, Drug Enforcement Administration, and Federal Bureau of Investigation representatives. The purpose of the consultations was to identify steps towards closer cooperation.

In December 2000, Switzerland signed the United Nations Convention against Transnational Organized Crime. Switzerland has a Mutual Legal Assistance Treaty in place with the US to exchange records and provide information in connection with narcotics investigations and proceedings. Switzerland has ratified the Council of Europe Convention on the laundering, search, seizure and confiscation of proceeds from crime. Switzerland is a member of the Financial Action Task Force on money laundering.

Switzerland has been vigilant in developing anti–money laundering policies, and allocating resources to thwart money laundering. The Government of Switzerland needs to resolve the problem of non–compliance with its MLA, on the part of the non–bank financial intermediaries, in order to more fully implement its anti–money laundering legislation.

Taiwan (Primary). Taiwan's location in Asia and its sizable shipping industry make it a crossroads for commerce throughout the Asia–Pacific region. The involvement of Taiwan–based organized crime groups in international narcotics trafficking exposes Taiwan's financial institutions to the associated threat of money laundering. Criminal proceeds derived from financial crime and corruption as well as from foreign sources are laundered through Taiwan's financial system.

An alarming trend recently identified by Taiwanese authorities is the increasing use of the stock market for money laundering. According to statistics published by Taiwan's financial intelligence unit (FIU), the Money Laundering Prevention Center (MLPC), 40 percent of money laundering cases prosecuted in Taiwan occurred through securities companies. In 50 percent of money laundering cases, criminal proceeds were transferred abroad. The US, Thailand, Hong Kong, and the People's Republic of China were the primary destinations for laundered proceeds, respectively.

The MLPC became operational on April 23, 1997. It processed 436 Suspicious Activity Reports (SARs) in 1997; 1,218 in 1998; and 1,199 in 1999. SARs reported in 1998 resulted in 210 cases referred for investigation. 1999 SARs resulted in 238 cases referred for investigation. Taiwan has successfully prosecuted several money laundering cases based on SARs. In 2000 there were nine indictments and six convictions for money laundering.

Taiwan's Money Laundering Control Act (MLCA) of April 1997 criminalized money laundering for a wide variety of crimes, referencing specific predicate offenses. However, some concern has arisen because tax evasion and gaming were not among the predicate offenses referenced. The MLCA for the most part meets international standards for money laundering. However, Taiwan continues to consider various possible amendments to improve the effectiveness of the law. Currently, financial institutions are not prohibited from informing their clients about the reporting of client suspicious transactions to the MLPC. Discussions continue within the Taiwanese agencies to amend the MLCA to prohibit client notification of suspicious transactions. Another proposed amendment under consideration would require a number of non–bank financial institutions with known money laundering activity to report suspicious transactions to the MLPC. These include pawnshops, travel bureaus, antique dealers, auto dealers, and real estate businesses.

Taiwan is a founding member of the Asia Pacific Group on Money Laundering and actively participates in the Group's meetings. The MLPC is a member of the Egmont Group.

The successful prosecutions of money launderers based on SAR reporting attest to the effectiveness of Taiwan's anti–money laundering regime. Taiwan should pass the proposed amendments to the MLCA, especially in the areas of client non–disclosure of suspicious transaction reporting and the inclusion of tax evasion as a predicate offense. These measures will enhance the admirable progress Taiwan has made thus far in combating money laundering.

Tajikistan (Other). Tajikistan is not a financial center, and its underdeveloped banking sector will likely keep it from being attractive for money laundering in the near future. However, with average monthly income in the country remaining at less than \$10, the temptation to become involved in narcotics-related transactions remains high for many segments of the society. Tajikistan has not criminalized money laundering.

Tajikistan is a party to the 1988 UN Drug Convention. It also has a bilateral cooperation agreement with the United States that facilitates the delivery of anti-money laundering training. In December 2000 Tajikistan signed the United Nations Convention against Transnational Organized Crime.

Tanzania (Other). Money laundering is present in Tanzania, a fact confirmed by police and government officials. However, to date there have been no prosecutions for drug-related money laundering. A very weak financial sector and an under-trained, under-funded law enforcement apparatus make such crimes difficult to track and prosecute. Officials believe that real estate and used cars are areas where money laundering is present.

Money laundering is an illegal act under the Prevention of Corruption Act and the Proceeds of Crime Act 1991. The latter criminalizes drug-related money laundering and obliges financial institutions to maintain records of transactions exceeding 10,000 shillings (approximately US \$12) for a period of 10 years. If the institution has reasonable grounds to believe that a transaction relates to money laundering, it may communicate this information to the police for investigation. A "safe harbor" provision protects such disclosure.

In November 2000, Kenya, Uganda and Tanzania held a conference on money laundering under the auspices of the East African Community (EAC). Tanzania also hosted an April meeting of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). The Government of Tanzania has played a leading role in the creation of this FATF-style regional body, and currently heads the Interim Ministerial Council and hosts the secretariat of the organization. Signatories of the ESAAMLG memorandum of understanding pledged to implement international standards to fight money laundering, including the FATF 40 Recommendations.

Thailand (Primary). Thailand's location makes it a major risk for money laundering, as it is a transit country for Southeast Asian narcotics. Northern Thailand forms part of the Golden Triangle with Burma and Laos. Although Thailand has taken significant steps towards reducing the production of illicit narcotics, it still serves as a major narcotics trafficking route for the Golden Triangle, because of its good transportation infrastructure and international connections. Thailand's banking system is used by drug traffickers to hide and move their proceeds. The underground banking system is also widely in use as a money laundering method. Money is transported in bulk from the United States to other Asian countries, and ultimately moved to Thailand. Gambling dens and underground lotteries account for a significant portion of Thailand's underground economy and are attractive mechanisms for money laundering

Thailand's anti-money laundering legislation, the Money Laundering Control Act B.E. 2542 (1999), came into effect in August 1999 and was implemented in October 2000. The Act criminalized money laundering for the following predicate offenses: narcotics trafficking, prostitution, pandering, arms trafficking, financial institution fraud, embezzlement, public corruption, smuggling, and other customs violations, extortion, and blackmail. Major provisions of the Money Laundering Control Act require customer identification, record keeping, and the reporting of large and suspicious transactions. Reporting requirements for most financial transactions (including purchases of securities and insurance) exceeding 2 million bath (roughly \$50,000) and property transactions exceeding 5 million bath (roughly \$125,000) have been in place since October 2000. The Act also created three agencies to handle various aspects of the Money Laundering Control Board, the Business Transactions Committee, and the Money Laundering Control Office. The Money Laundering Control Board advises the Cabinet and formulates government policy on money laundering issues. It also monitors and evaluates the effectiveness of the Money Laundering Control Act and the performance of the Business Transactions Committee and Money Laundering Control Office.

The Business Transactions Committee executes operational aspects of the Act that address suspect transactions and the disposition of proceeds. It may audit and suspend suspect financial transactions related to money laundering for a period of up to ten days. The Committee may compel physical and juridical persons, as well as government agencies and officials, to provide oral or written testimony and documentation in money laundering investigations. It can conduct search and seizure operations for the purpose of investigating, monitoring, and freezing of assets or evidence of money laundering offenses. In addition, the committee may freeze assets related to a money laundering investigation for a period of up to ninety days if there is probable cause that the assets are perishable.

The Anti-Money Laundering Office (AMLO) is Thailand's financial intelligence unit (FIU). It receives, analyzes, and processes suspicious and large transaction reports as required by the Act. The Business Transactions Committee tasks the Office with administrative functions such as collecting evidence and identifying witnesses for money laundering investigations. The Office is also tasked with providing training to the public and private sectors concerning the provisions of the Act.

Licenses were first granted to Thai and foreign financial institutions to establish offshore units, known as Bangkok International Banking Facilities (BIBFs) in March 1993. BIBFs may perform a number of financial and investment banking services but can only raise funds offshore (through deposits and borrowing) for onward lending into Thailand or offshore. BIBFs were listed by the United Nations Drug Control Program and by the World Bank as potentially vulnerable to money laundering activities because they serve as transit points for funds. Thailand's 44 BIBFs are now subject to the recently enacted Money Laundering Control Act. Implementation of the Act may discourage the use of BIBFs as money laundering mechanisms.

The US–Thai Mutual Legal Assistance Treaty entered into force in 1993. Thailand is a member of the Asia/Pacific Group on Money Laundering (APG). It co-chairs the APG's Working Group on Alternative Remittance Systems. The MLPC has applied for membership in the Egmont Group.

In December 2000, the Thailand signed the United Nations Convention against Transnational Organized Crime.

The government of Thailand should continue to implement its strong anti-money laundering program and participation in international efforts. It should also consider additional measures to address underground financial systems to ensure that narcotics traffickers and other international criminals do not abuse these sectors of the economy.

Togo (Other). Togo's poor infrastructure and desperate economic conditions make it an unlikely venue for money laundering. Its porous borders, however, make it a transshipment point in the regional and subregional trade in narcotics. Togo Customs is charged with combating the laundering of narcotics proceeds.

Togo hosted the ECOWAS (Economic Community of West African States) Heads of State and Governments Conference in December 1999, which created an Inter-Governmental Group of Action Against Money-Laundering in West Africa. Togo's 1998 drug law penalizes drug money laundering with up to 20 years in prison.

Togo is a party to the 1988 UN Drug Convention. In December 2000 Togo signed the United Nations Convention against Transnational Organized Crime.

Tonga (Other). Tonga is not a regional financial center. However, Tonga's offshore sector licenses offshore banks. Tonga also sells economic citizenship. Both the banks and the selling of economic citizenship could be used by money launderers. In 2000, Tonga indicated it enacted the Money Laundering Act 2000, Mutual Assistance in Criminal Matters Act 2000, and Foreign Evidence Act 2000.

Tonga is a party to the 1988 UN Drug Convention.

Trinidad and Tobago (Other). Trinidad and Tobago has a well developed and modern banking sector, but it is not an important regional financial center, nor is it a tax haven or offshore center. Nevertheless, the country is experiencing an increase in financial crimes, mostly in the form of counterfeiting and credit card fraud. It is likely that some money laundering takes place in banks, credit unions, stock brokerages, insurance companies, casinos, and some retail and construction businesses.

In 2000, the GOTT enacted the Proceeds of Crime Act (POCA) that expands money laundering predicate offenses to include all serious crimes and institutes reporting requirements for suspicious transactions. Failure to comply with the Bill's record-keeping and reporting requirements will result in a fine of 250,000 TT (approximately US \$40,000) and imprisonment for two years for summary conviction, and a fine of 3,000,000 TT (approximately US \$500,000) and seven years of imprisonment for conviction on indictment. Upon summary conviction for money laundering an offender shall be liable for a fine \$10 million TT (approximately US \$ 1,600,000) and imprisonment for 7 years; and upon conviction on indictment for money laundering an offender shall be liable for a fine of 25,000,000 TT (approximately US \$4,000,000) and 25 years imprisonment. Furthermore, if an institution commits an offence under the POCA, any officer who aids and abets money laundering activities can be convicted of money laundering even if the institution itself has not been prosecuted or convicted. The POCA also enables the courts to seize the proceeds of all serious crimes.

The GOTT has legislation in place that allows it to trace, freeze, and seize assets, including intangible assets such as bank accounts. Authorities may seize legitimate businesses if they are used to launder drug money. GOTT customs regulations require that any sum above US\$5000 (in currency or monetary instruments) entering or leaving the country be declared. Cash above US\$10,000 may be seized, with judicial approval, pending determination of its legitimate source. The GOTT does not have legislation that allows the sharing of forfeited assets with other countries, but has done so in the past on a case-by-case basis through bilateral agreements.

The Government of Trinidad and Tobago (GOTT) approved a UNDCP plan that will draft updated guidelines for anti-money laundering legislation, exchange of information, record keeping, independent regulatory structures, suspicious transaction reporting, know your customer requirements, and international cooperation.

The central bank has set money laundering guidelines, including due diligence provisions, that apply to all

financial institutions subject to the Financial Institutions Act of 1993. These include banks, finance companies, leasing corporations, merchant banks, mortgage institutions, unit trusts, credit card businesses, and financial services businesses. Credit unions and exchange houses are not subject to the guidelines.

The GOTT has an inter-ministerial counternarcotics/crime task force that investigates drug trafficking and related money laundering. To date, the GOTT has charged six individuals with money laundering-related offenses

Trinidad and Tobago is a member of the CFATF, which is headquartered in Port of Spain. It underwent a CFATF mutual evaluation in 1997 and the report was endorsed by CFATF's Council of Ministers in 1997. Trinidad and Tobago is also a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. In 1999, an MLAT with the United States came into force. In June 2000, during the visit of Attorney General Janet Reno, the US and GOTT signed a joint statement on law enforcement cooperation which pledges in part to expand cooperation on the detection and prosecution of money laundering and related criminal activities.

At the GOTT's invitation, the IRS is providing technical assistance to the Board of Inland Revenue to develop a comprehensive criminal investigations system to reduce corruption enforce the criminal statutes relative to tax administration and related financial crimes. This is being done in order to achieve compliance with the GOTT Income Tax Act. The GOTT's international cooperation record in the area of information exchange on financial crimes has been excellent.

Trinidad and Tobago is a party to the 1988 UN Drug Convention.

Tunisia (Other). There is little information about possible money laundering in Tunisia. It is not a regional financial center, and the government keeps a close hand on the management of the economy. However, a number of factors make Tunisia vulnerable to money laundering. One is the presence of an offshore banking sector consisting of about 12 banks, reportedly closely regulated by the Tunisian Ministry of Finance and the central bank. There are also approximately 1,200 offshore manufacturing companies (regulated by the Ministries of Commerce and Industry) and 300 offshore trading companies (regulated by the Ministry of Commerce). The trading companies, as a rule, operate by matching up third country supply and demand and brokering trade deals, with no goods ever entering or leaving Tunisia.

There is no limit on the amount of foreign currency which may be brought into the country, but amounts over 1,000 Tunisian dinars (TND) or its equivalent must be declared (the current rate of exchange is approximately 1.4 TND to US\$1).

Offshore companies may be 100 percent foreign-owned. Anonymous directors are not permitted, and the names of all directors and companies must be listed in the official government journal when the company is organized or when there is a change in directorship.

Tunisia has no anti-money laundering laws. The only material anti-money laundering legislation is contained in a 1992 counternarcotics law that makes it illegal to assist anyone involved in drug trafficking, including transferring funds for them, offering them services, or procuring facilities for them that enable them to invest or disguise drug trafficking income. The law applies even if the illegal activity takes place in another country.

Tunisia is a party to the 1988 UN Drug Convention, and in December 2000, signed the UN Convention against Transnational Organized Crime.

Turkey (Primary). Turkey is an important regional financial center for Central Asia and the Middle East. While narcotics trafficking is a source of illicit proceeds, most money laundering that takes place appears to involve tax evasion rather than narcotics transactions, and local narcotics trafficking organizations are responsible for only a small portion of the total of funds laundered in Turkey. Terrorist financing is also an issue. Money laundering takes place in both banks and non-bank financial institutions. According to information dating from early 1999, major money laundering methods in Turkey involve the cross-border smuggling of currency, bank transfers into and out of the country, and the purchase of high-ticket items such as real estate, gold and luxury automobiles. Illicit funds are also integrated into the economy through the financing of the construction of large apartment complexes and other buildings. Turkey is not an offshore financial center, and has no secrecy laws that prevent disclosure of client and ownership information to bank supervisors and enforcement officials.

The Government of Turkey (GOT) has been active in the fight against money laundering for several years. Turkey criminalized money laundering in 1996 for a wide range of predicate offenses, including narcotics-related crimes, smuggling of arms and antiquities, terrorism, counterfeiting, and trafficking in human organs and in women. The Council of Ministers subsequently passed a set of regulations that mandate the filing of suspicious transaction reports (STRs), and require customer identification and the maintenance of records for five years. These regulations are applicable to banks and a wide range of non-bank financial institutions, including insurance firms and jewelry dealers. The number of STRs being filed is steadily rising, as banks and

financial institutions become more aware of what constitutes an STR. Turkey also has in place a system for identifying, tracing, freezing and seizing narcotics-related assets, although Turkish law allows for only criminal forfeiture. There were no major new developments in 2000 in the area of anti-money laundering laws or countermeasures.

The Financial Action Task Force (FATF), of which Turkey is a member, has conducted two reviews of Turkey's anti-money laundering program. The second review noted that while Turkey was making progress, several areas needed to be addressed. For example, the suspicious transaction reporting system is satisfactory, but the low number of reports being filed is a cause for concern. The report suggested that intensive training for the private banking sector is needed to improve compliance. The report also stated that another area of weakness is the lack of sufficient supervision by the government over financial institutions. In response, Turkey has undertaken intensive training programs to educate the private banking sector in recognizing suspicious transactions and has increased the frequency of banking inspections. The GOT is also working to broaden the definition of money laundering to include the proceeds of all serious crimes.

The 1996 anti-money laundering law established the Financial Crimes Investigation Board (FCIB), which receives and investigates suspicious transaction reports and serves as Turkey's financial intelligence unit (FIU). The GOT strongly supports the FCIB, which has increased its staff and the quality of its computer equipment. The FCIB cooperates closely with the United States in money laundering investigations, and has requested and received US assistance in obtaining information on several cases.

Turkey is a party to the 1988 UN Drug Convention, and the FCIB is an active member of the Egmont Group. Turkey has a Mutual Legal Assistance Treaty in force with the United States. In December 2000 Turkey signed the United Nations Convention against Transnational Organized Crime.

Based on its demonstrated commitment to fighting money laundering, the GOT now needs to maintain the momentum it has generated in setting up its anti-money laundering regime by expanding the definition of money laundering to include all serious crimes, and to continue measures to ensure increased reporting of STRs.

Turkmenistan (Other). Although Turkmenistan has only a few international banks and a small, underdeveloped domestic financial sector, the country's several foreign-owned hotels and casinos could be vulnerable to financial fraud and money laundering by organized criminal groups. In addition, the national currency, the manat, has a black market (but universally accepted) exchange rate that is four times the official rate, thus creating conditions favorable to money laundering. Moreover, the low salaries and broad general powers of Turkmen law enforcement officials raise issues of possible corruption. The Government of Turkmenistan has not reported any suspected cases of money laundering.

Turkmenistan has no specific law addressing money laundering. However, Presidential Resolution 0210/02-2 of 1995 gives the central bank authority over all international financial transactions. Under this resolution, any firm making an electronic transfer of funds to an account abroad must provide documentation that establishes the source of the funds.

Recognizing Turkmenistan's susceptibility to money laundering, the US Secret Service has scheduled a course on financial institution fraud and money laundering that will be held sometime in 2001.

Turkmenistan is a party to the 1988 UN Drug Convention.

Turks & Caicos (Concern). The Turks and Caicos Islands (TCI) is a Caribbean Overseas Territory of the United Kingdom (UK). The TCI is vulnerable to money laundering because of a large offshore financial services sector that offers tax advantages, as well as bank and corporate secrecy to conceal beneficial ownership.

The TCI's offshore sector has eight banks (five of which also deal with onshore clientele), approximately 2,000 insurance companies, 27,000 international business companies (IBCs), and 1,000 trusts. The offshore sector offers "shelf company" IBCs and all IBCs are permitted to issue bearer shares. Trust legislation allows establishment of asset protection trusts that protect personal assets from civil adjudication by foreign governments. The Financial Services Commission (FSC), which has a staff of 12, licenses and supervises domestic and offshore finance-related operating entities.

The Proceeds of Crime Ordinance (POCO) 1998 criminalized money laundering related to all crimes, and established extensive asset forfeiture provisions and "safe harbor" protection for good faith compliance with reporting requirements. The POCO also established a Money Laundering Reporting Authority (MLRA) that is to receive, analyze, and disseminate financial disclosures such as suspicious transactions reports (STRs). The MLRA is chaired by the attorney general. Its members also include the following individuals or their designees: Collector of Customs, the Superintendent of the FSC, the Commissioner of Police, and the Superintendent of the Criminal Investigation Department. The MLRA is authorized to disclose information that it receives to domestic law enforcement and foreign governments.

The Proceeds of Crime (Money Laundering) Regulations (POCMLR) were issued in 1999 and came into force in 2000. The POCMLR places additional requirements on the financial sector such as identification of customers, retention of records for a minimum of five years, training staff on money laundering prevention and detection, and development of internal procedures to ensure proper reporting of suspicious transactions. The Superintendents of Banking, Insurance, Trustees, and Mutual Funds also must report suspicious transactions (STRs).

Thus far, the MLRA has functioned only through specific actions of its constituent members. In 1999, the FSC issued non-statutory Guidance Notes to the financial sector that are to help educate the industry on money laundering and the TCI's anti-money laundering requirements, and provide practical guidance on recognizing suspicious transactions. The Guidance Notes instruct institutions to send STRs to either the Royal Turks & Caicos Police Force or the FSC. The Financial Crimes Unit of the Police already has received and begun investigating some of the reports.

The TCI and other British Overseas Territories in the Caribbean in 1999 agreed to undergo a comprehensive review of their financial regulations and implement subsequent recommendations. The review was published in October 2000, and indicated that although it has made steady progress, the TCI's current regulatory structure was still not fully in accordance with international standards. The report's primary recommendations included:

- * Make the FSC an independent regulatory body and increase its staffing.
- * Establish an off-site supervisory program and enhance off-site supervision.
- * Allow regulators to have access to records of individual depositors.
- * Increase enforcement powers of regulators.
- * Create legal measures to identify and access information on the beneficial ownership, both domestically and internationally, of bearer shares.

The TCI is a member of the Caribbean Financial Action Task Force, and underwent a mutual evaluation in April 1997. The TCI is a party to the 1988 UN Drug Convention. The Mutual Legal Assistance Treaty between the United States and the UK was extended to TCI in November 1990.

The TCI cooperates with foreign governments—in particular, the United States and Canada—on law enforcement issues including narcotics—trafficking and money—laundering investigations.

The TCI should implement regulatory changes recommended by the independent review, and address the issue of bearer shares. The MLRA should prepare operating procedures that clarify its roles and functions to ensure that it can be fully staffed and operate as a financial intelligence unit. These measures will help the TCI fully coordinate local initiatives, and cooperate with international authorities to detect and investigate suspected financial crimes, and prevent abuse of its financial sector by international criminals.

Uganda (Other). Although money laundering most likely occurs in Uganda, there are no good estimates of its extent. Ugandan law enforcement agencies suspect that Uganda's banks are used to launder money, but thus far have been unable to prove their suspicions because of the country's inadequate legal framework.

Although money laundering is not currently a criminal offense in Uganda, the Government of Uganda (GOU) in 2000 participated in regional anti-money laundering fora. In November 2000, Kenya, Uganda, and Tanzania held a conference on money laundering under the auspices of the East African Community (EAC). Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), and in April 2000, representatives of the GOU attended the ESAAMLG's first formal meeting.

Uganda is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Ukraine (Concern). Money laundering plagues Ukraine's financial and commercial sectors and is a symptom of high levels of corruption, organized crime, smuggling and tax evasion. Transparency International, a non-governmental organization that studies corruption, rated Ukraine the third most corrupt country in 2000. It also named Ukraine along with Russia at the top of the list among countries that transfer illicit proceeds abroad. In October 2000, President Kuchma noted that the fuel and energy industry was the most criminalized sector in Ukraine. He also noted that financial crime, tax evasion, and corruption plague the metallurgy and agriculture sectors as well. These factors contribute to make Ukraine vulnerable to large-scale money laundering.

The Ukrainian government has recently begun to take steps to create a legal and regulatory framework to specifically address money laundering. In November 2000, the Ukrainian Cabinet passed a bill "On Prevention and Counteraction of Legalization (Laundering) of the Proceeds of Crime." The bill was drafted on the instructions of President Kuchma to implement provisions of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. Ukraine became a signatory to the convention in

May 1997. The final draft version awaits submission to the Parliament for eventual passage. Article 214 of Ukraine's draft Criminal Code criminalizes all financial transactions involving criminally derived proceeds. Current criminal law provisions address drug-related money laundering offenses and provide for the confiscation of proceeds generated by criminal activities. The Drug Enforcement Department (DED) of the Ministry of the Interior initiated 25 criminal cases connected with drug money laundering in 2000.

Ukraine participates in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV). In May 2000, Ukraine underwent a mutual evaluation conducted by the PC-R-EV. The final report will provide detailed suggestions to improve Ukraine's anti-money laundering program.

An exchange of diplomatic notes in September 1999 provides for provisional application of the US-Ukraine Mutual Legal Assistance Treaty (MLAT). The MLAT was signed in July 1999 but is not yet in force. In December 2000, the Ukraine signed the United Nations Convention against Transnational Organized Crime. Ukraine is a party to the 1988 UN Drug Convention.

As a first step, Ukraine should enact its draft anti-money laundering provisions and adopt implementing regulations to establish the a legal, regulatory, and enforcement framework to bring its money laundering problem under control. Ukraine's current laws and regulations applicable to money laundering are ineffective and do not meet international standards. An operative anti-money laundering regime would provide additional tools for Ukrainian authorities to combat crime in general and to more easily share information with international partners on regulatory and enforcement actions concerning money laundering.

United Arab Emirates (Primary). The United Arab Emirates' (UAE) position as a major financial and trading center in the Gulf region of the Middle East suggests it is vulnerable to money laundering. While there is a recognized lack of reporting and specific statistics, evidence developed to date from international financial crimes investigations shows money laundering connections to the UAE, principally to Dubai. Most money laundering activity is believed to involve the proceeds of foreign criminal organizations outside the UAE, with the UAE serving primarily as a conduit to international financial markets. Over two-thirds of the population of the UAE is foreign. The UAE has an open economy with a sophisticated financial sector and business services. There are no foreign exchange controls; no corporate or income taxes; and the UAE has free trade zones. It has developed into the region's transportation hub.

The UAE, like all countries in the region, is a cash-intensive society. Dubai is also the regional gold center, with integrated gold trading ties between Europe and South Asia. Gold is often manipulated by money launderers around the world via trade or as part of alternative remittance systems such as the South Asia based hawala system of transferring funds. In an effort to address these vulnerabilities in the UAE, the central bank recently mandated capital reserve requirements of over US \$13 million for prospective currency dealers and money-exchange houses. The net effect of this move will be to ensure that a larger percentage of the remittance business flows through the better-regulated banking system.

There is currently no legislation pertaining to money laundering per se, existing UAE laws on narcotics trafficking are broad and extremely strict; those involved in handling drug money in any way are subject, potentially, to the death penalty. A money laundering law has been in draft form for several years, and UAE authorities believe it will be passed during the first half of 2001. The proposed legislation includes criminal penalties. All sources of "illegal money" will serve as a predicate offenses for money laundering. There are no proposed cross-border currency reporting requirements.

In November 2000 the UAE's Central Bank issued new regulations for all banks, money changers and finance companies in an effort to check money laundering. The regulations took effect December 1, 2000. They require the reporting of all cash transactions exceeding 200,000 dirhams (US \$54,500) and all suspicious transactions to the central bank. When suspicious activity is reported from a financial institution, the central bank is able to freeze suspect funds, make appropriate inquiries, and coordinate with law enforcement officials. The central bank has also dramatically increased its examination staff.

The UAE has recently established a unit within the central bank to act as a financial intelligence unit (FIU). It is charged with examining suspicious activity reporting and handling all requests from law enforcement and judicial authorities. The unit is exploring areas of information sharing and coordination with other FIUs.

The UAE is not an offshore center in the traditional sense, and earlier plans to establish an offshore banking center on Abu Dhabi's Saadiyat Island appear to have been shelved. However, many local businessmen do offer services equivalent to those associated with traditional offshore centers, such as nonresident incorporation. Even though there are no corporate registration agents for the UAE, it is possible to obtain essentially the same service. Someone seeking to use the UAE as a base of operations can pay a local businessman a fee for the use of his business name, or, in a somewhat more formal arrangement, enter into a partnership arrangement. In these partnerships, the local businessman will own at least 51% of the business and the other partners will remain effectively invisible. (The partner may actually fund the entire business to gain access to the UAE as a base of operations). For this reason, it is often difficult to identify beneficial owners or investors of businesses

or assets in the UAE.

The UAE is a party to the 1988 UN Drug Convention. The UAE is a member of the Gulf Cooperation Council, which is a member of the Financial Action Task Force (FATF). The UAE is beginning to take steps to comply with the FATF Forty Recommendations and will undergo a FATF mutual evaluation in 2001. The UAE has been generally receptive to US Government overtures to cooperate on money laundering issues. The US and other countries plan to make training and technical assistance available to the UAE during 2001.

As noted, the UAE is an important regional financial and trading center. Its location, thriving open economy and first-class financial infrastructure suggests money-laundering vulnerabilities. Issues of concern such as the misuse of the international gold trade and the use of hawala to launder funds are not unique to the UAE, and these forms of alternate remittance systems are extremely difficult to identify and combat. UAE authorities have recognized the importance of international cooperation, and as have begun to take concrete steps to enact an anti-money laundering program. The UAE, however, needs to enact anti-money laundering legislation that includes the criminalization of the laundering of proceeds from all serious crimes. This needs to be followed by continued training and systematic enforcement of the law.

United Kingdom (Primary). The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although drugs are still the major source of illegal proceeds for money laundering, the proceeds of other offenses such as financial fraud and the smuggling of goods have become increasingly important. The trend over the past few years has witnessed the movement away from High Street banks and mainstream financial institutions for the placement of cash. In laundering funds, criminals continue to use bureaux de change (small, tourist-type, currency exchanges); cash smuggling in and out of the UK; professional money launderers (including solicitors and accountants); and the purchase of high-value assets as disguises for illegally obtained money.

The United Kingdom has implemented the provisions of the EU's Anti-Money Laundering Directive and the FATF Forty Recommendations. Drug-related money laundering has been a criminal offense in the UK since 1986. Subsequent legislation criminalized the laundering of proceeds from all other crimes. The UK has a requirement for the reporting of suspicious transactions that applies to banks and non-bank financial institutions.

Secondary regulations, affecting the financial sector only, require that systems be in place to prevent and detect money laundering.

In 1997, Guidance Notes on best practices were issued by the Money Laundering Steering Group of professional and trade bodies.

The Bank of England Act 1998 transferred responsibility for UK bank supervision from the Bank of England to the newly established Financial Services Authority (FSA). The FSA's primary responsibilities are in areas relating to the safety and soundness of the institutions in its jurisdiction. The FSA plays an important part in the fight against money laundering through its continued involvement in the authorization of banks and investigations of money-laundering activities in banks. Where appropriate, the FSA even assembles small teams of investigators to follow-up leads in newspapers and other public sources.

Once the recent Financial Services and Markets Act is fully implemented (expected in 2001), the FSA will administer a new civil-fines regime and will have new prosecution powers. The FSA will have the power to make regulatory rules in relation to money laundering and enforce those rules with a range of disciplinary measures (including fines).

In 2000 the cabinet reviewed the entire anti-money laundering strategy in the United Kingdom and published its findings in the Recovering the Proceeds of Crime report in June. As a result of the report, the Government of the United Kingdom plans to adopt new legislation that will establish a National Confiscation Agency to have responsibility for the recovery of criminal assets. It will be invested with extensive executive functions in relation to criminal confiscation and civil recovery. It will also have investigative powers, and the ability to raise tax demands in relation to suspected criminal proceeds. In December 2000 the government also proposed legislative changes to allow tax authorities to share information with police in serious criminal cases. The government also plans specific provisions in secondary legislation to extend thorough money-laundering controls to other sectors, including to lawyers, accountants and other professionals.

Suspicious transaction reports are filed with the Economic Crime Unit of the National Criminal Intelligence Service (NCIS), which serves as the UK's financial intelligence unit. The NCIS analyzes reports, develops intelligence, and passes information to police forces and HM Customs for investigation. NCIS received approximately 14,500 disclosures for 1999. The NCIS is an active member of the Egmont Group and has Memoranda of Understanding (MOU) for sharing intelligence with foreign counterparts. An arrangement is in place with the US Financial Crimes Enforcement Network (FINCEN) and Belgium's CTIF.

The UK's banking sector provides accounts to residents and nonresidents, who can open accounts through various intermediaries that often advertise on the Internet and also offer various offshore services, or as a part of private banking activities. Private banking constitutes a significant portion of the British banking industry. Both resident and nonresident accounts are subject to the same reporting and record-keeping requirements. Non-resident accounts are typically opened by individuals for taxation or investment purposes.

The UK is a party to the 1988 UN Drug Convention and a member of the Financial Action Task Force and the European Union (EU). The UK signed the United Nations Convention against Transnational Organized Crime in December 2000. The Mutual Legal Assistance Treaty (MLAT) between the UK and the US has been in force since 1996.

The UK should continue the strong enforcement of its comprehensive anti-money laundering program and its active participation in international organizations to combat the domestic and global threat of money laundering.

Uruguay (Primary). Historically, Uruguay has attracted foreign deposits due to its economic and political stability as well as liberal currency exchange and strict bank secrecy laws. As a regional financial center, Uruguay is susceptible to money laundering. Although the extent and exact nature of money laundering in Uruguay is unknown, United States Government (USG) and European law enforcement entities believe that the profits of drug trafficking and contraband smuggling, and other illicit activities are laundered through Uruguayan financial institutions. Except for a few isolated but important cases, there is no solid evidence of widespread money laundering in Uruguay. However, Uruguay, until recently did not have in place effective systems for detecting money laundering such as a system of mandatory suspicious transaction reporting. Moreover, Uruguay does not yet have a financial intelligence unit, which is another critical element in a government's ability to detect money laundering activities. There is a large black market for smuggled goods in Uruguay but it does not appear to be significantly funded by narcotics proceeds.

The Government of Uruguay (GOU) has taken measures to join the international fight against money laundering. Under the October 1998 Anti-Drug Law (No. 17.016), it is a criminal offense to launder funds derived from narcotics trafficking activities. The law gives the courts power to seize and later confiscate property, products or financial instruments in drug-related money laundering activities. In addition, the Anti-Drug Law also facilitates the lifting by the courts of traditionally strong bank secrecy laws to conduct money laundering investigations. If there is reasonable cause to suspect criminal use of the banking system by a specific person, the courts have the power to order access to the individual's bank accounts. However, Uruguay does not have laws allowing for the sharing of seized narcotics assets with other countries. The January 1999 Transparency Law criminalized a broad range of potential abuses of power by Government officials including the laundering of funds related to public corruption cases, and instituted financial disclosure requirements for high-ranking GOU officials.

Uruguay has bank secrecy laws; however, financial institutions must provide certain information upon the request of the central bank. Central bank regulations (91/47, 91/55, 93/68 and 1452) require banks (including offshore banks), currency exchange houses and stockbrokers to record currency transactions over \$10,000, and to identify the individuals making such transactions, and make their records available to the central bank. These records must be kept for five years. Analysis and control of financial transactions by the central bank is not as consistent as desired. With USG assistance the central bank is building a computerized information system to efficiently analyze the data and detect possible money laundering activities.

In 2000, The Police Anti-Drug Directorate (DGRTID) established a financial investigations unit in order to present more complete evidence in narcotics-related prosecutions. On December 21, 2000, the central bank issued Circular 1722 requiring all entities under its jurisdiction (banks, currency exchange houses, insurance companies, stockbrokers, financial intermediaries, and investment companies to report suspicious financial transactions to a Financial Information Analysis Unit. This unit is to be created within the Superintendency of Intermediary Financial Institutions, and will be responsible for receiving or requesting and analyzing these disclosures, and forwarding them to the competent investigative authorities.

Many South Americans have traditionally used Uruguay as a tax haven. Uruguayan law permits the operation of offshore banks, mutual funds, offshore financial investment companies (SAFIs), and free trade zone companies (FTZs). Uruguay does not license offshore trusts, insurance companies, or Internet gaming companies. FTZs are used within the nine Uruguayan free trade zones for manufacturing and distribution. SAFIs operate as international business companies, and are most commonly used as holding companies. They may also be used as trading companies, brokerage firms, and import and export companies.

The regulations governing offshore banking are similar to those of regular banks and include the submission of quarterly balances, an annual audit, as well as client identification and maintenance of transaction records. The central bank licenses offshore banks and performs background checks on applicants for banking licenses. Central bank regulations do not allow the use of bearer shares by banks or other financial institutions under its control, and the Bank must authorize the purchase or transfer of shares. The 12 offshore banks operating in

Uruguay managed US \$1 billion in assets as of March 2000. The central bank does not supervise SAFIs, and although it is believed that a large number of SAFIs operate in Uruguay, there are no records as to the exact number. At least six offshore mutual funds operate in Uruguay.

Uruguay remains active in international anti-money laundering efforts. It is a party to the 1988 UN Drug Convention, and a member of the Organization of American States Inter-American Commission on Drug Abuse Control (OAS CICAD) Experts Group to Control Money Laundering. The USG and the GOU have an extradition treaty, which was signed in 1973 and entered into force in 1984, and a Mutual Legal Assistance Treaty, which was signed in 1991 and entered into force in 1994. In December 2000 Uruguay signed the United Nations Convention against Transnational Organized Crime. Uruguay is also a member of the South American Financial Action Task Force (GAFISUD), a FATF-style regional anti-money laundering body established in December 2000.

Uruguay needs to fully establish, staff, and fund the Financial Information Analysis Unit to act as a centralized unit that can coordinate domestic efforts and cooperate internationally to combat financial crimes. Uruguay should also criminalize the laundering of proceeds from all serious crimes. In addition, Uruguay should take steps to ensure that SAFIs are effectively supervised and regulated to help prevent, detect and investigate abuses of Uruguay's financial sector.

Uzbekistan (Other). Uzbekistan is not a regional financial center or a significant country for narcotics-related money laundering. Uzbekistan is not likely to be used by money launderers because its currency is not freely convertible and banking services are unsophisticated. There is a significant black market for smuggled consumer goods in the country. However, it does not appear that the market is funded by narcotics proceeds.

Article 243 of the Uzbek Criminal Code criminalizes money laundering related to any criminal activity. A decree issued in October 1998 allowed banks to offer anonymous hard currency accounts, but the measure failed to attract significant deposits.

There are strict controls on the amount of currency that can be carried across Uzbekistan's borders. Residents and non-residents may bring the equivalent of US \$10,000 into the country tax-free. Amounts in excess of this limit are assessed a 1-percent duty. Non-residents may take out as much currency as they brought in; however, residents are limited to the equivalent of US \$1,500.

Uzbekistan is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime.

Vanuatu (Concern). Vanuatu's offshore sector is vulnerable to money laundering as it historically has maintained strict secrecy provisions that have the effect of preventing law enforcement agencies from identifying the beneficial owners of offshore entities registered in the sector. Because of allegations of money laundering, a few United States-based banks announced that they would no longer process US dollar transactions to/from Vanuatu in late December 1999. The Government of Vanuatu responded to these concerns by introducing reforms designed to strengthen financial regulation both domestically and offshore.

Vanuatu's financial sector includes five licensed banks (that carry on domestic and offshore business) and 60 credit unions, regulated by the Reserve Bank of Vanuatu. The Financial Services Commission (FSC) regulates the offshore sector that includes 55 offshore banks and approximately 2500 "international companies" (i.e., international business companies or IBCs), as well as offshore trusts and captive insurance companies. IBCs may be registered using bearer shares, shielding the identity and assets of beneficial owners of these entities. Secrecy provisions protect all information regarding IBCs and provide penal sanctions for unauthorized disclosure of information. These secrecy provisions, along with the ease and low cost of incorporation, make IBCs ideal mechanisms for money laundering and other financial crimes.

The Serious Offences (Confiscation of Proceeds) Act 1989 criminalized the laundering of proceeds from all serious crimes and provided for seizure of criminal assets and confiscation after a conviction.

In October 2000 Vanuatu addressed deficiencies in the regulation of the banking sector by passing the Financial Transaction Recording Act. This law requires financial institutions to identify customers and beneficial owners when establishing business relations or account accommodations. Regulatory agencies in Vanuatu have instituted stricter procedures for issuance of offshore banking licenses and continue to review the status of previously issued licenses. This legislation requires all financial institutions, both domestic and offshore, to report suspicious transactions and to maintain records of all transactions for 6 years, including the identities of the parties involved. Safe harbor provisions are provided under this legislation to all suspicious transactions reported in good faith.

The new legislation provides for the establishment of a Financial Intelligence Unit within the State Law Office. The Financial Intelligence Unit will receive suspicious transaction reports made by financial institutions and may distribute them to the Public Prosecutors Office, the Reserve Bank of Vanuatu, the Vanuatu Police Force, the Vanuatu Financial Services Commission and law enforcement agencies or supervisory bodies outside

Vanuatu. The Financial Intelligence Unit will also issue guidelines to, and provide training programs for, financial institutions regarding record keeping for transactions and reporting obligations. The act also regulates how such information can be shared with law enforcement agencies investigating financial crime. The law further states that preventative measures are to be imposed by financial institutions. Financial institutions within Vanuatu must establish and maintain internal procedures and provide a written statement to the Financial Intelligence Unit.

Every financial institution is required to keep records of all transactions. Four key pieces of information are required to be kept for every financial transaction: the nature of the transaction, the amount of the transaction and the currency in which it was denominated, the date the transaction was conducted, and the parties to the transaction. These records must be kept for a period of 6 years after the completion of the transaction.

There are three bases for cooperation in international matters: the Mutual Assistance in Criminal Matters Act 1989, the Serious Offences (Confiscation of Proceeds) Act 1989 and the Extradition Act 1988. The Attorney General, designated as the central authority for requests of mutual assistance, possesses the authority to grant requests for assistance and may require government agencies to assist in the collection of information pursuant to the request. In an effort to strengthen mutual legal assistance, Vanuatu has drafted a Bill to amend the Mutual Assistance in Criminal Matters Act and a Bill for the Proceeds of Crime Act.

Vanuatu is a member of the Asia/Pacific Group on Money Laundering (APG), the Offshore Group of Banking Supervisors (OGBS), the Commonwealth Secretariat, and the South Pacific Forum. Vanuatu underwent a mutual evaluation by the APG and OGBS in 2000, and was the first APG member to undergo such a mutual evaluation. Vanuatu is not a party to the 1988 UN Drug Convention.

The Government of Vanuatu has taken positive steps to strengthen their counter money-laundering program, especially within the banking sector. As a consequence of these reforms, the Financial Action Task Force determined at its October 2000 plenary that Vanuatu should not be included on its list of Non-Cooperative Countries and Territories with respect to the prevention of money laundering. The GOV should strictly implement its new legislation—with a focus on enforcing new reporting requirements on offshore banks—as well as enacting measures to require complete identification of the beneficial ownership of IBCs to ensure that Vanuatu's offshore sector is not used for money laundering or other financial crimes.

Venezuela (Primary). While Venezuela has considerable international financial links, it does not have an offshore financial industry. The banking sector is modern but relatively small and the country is not considered a regional financial center. However, Venezuela's proximity to drug-source countries, the weaknesses in the anti-money laundering system, and corruption continue to create conditions conducive to money laundering. The laundering primarily involves the proceeds of Colombian cocaine trafficking organizations although proceeds from contraband smuggling are also laundered through Venezuela's banks, currency exchange houses, casinos and the real estate sector.

Venezuela's Organic Drug Law of September 1993 provides the only basis for the investigation and prosecution of money laundering crimes; this law provides that a direct connection between illegal drugs and the proceeds must be proven in order to establish the offense of money laundering. Cases have been brought to trial but none has resulted in a conviction, often because of the ineffective judicial system. The Government of Venezuela (GOV) has carried out initiatives to combat corruption and placed particular emphasis on targeting corruption in the judiciary. During 2000, investigations of public officials involved in financial corruption continued and some cases went to trial. An anti-organized crime bill that would have expanded the definition of money laundering to include numerous other crimes in addition to drug trafficking was not adopted as expected in 2000.

Since 1997, the GOV has improved money laundering controls, including the stricter adoption of preventive measures such as the reporting of large currency transactions (over US \$ 10,000); the reporting of suspicious financial activities (SARs); and the creation in 1998 of a National Financial Intelligence Unit (UNIF). The entities subject to these reporting requirements include: all purpose banks, commercial banks, investment banks, mortgage banks, savings and loan institutions, financial rental agencies, bureaux de change, money market funds, capitalization companies, and frontier foreign currency dealers.

The UNIF, located in the Superintendency of Banks and Other Financial Institutions, receives monthly electronic reports of large currency transactions and SARs, and works closely with the financial information units that have been created in each banking organization as required by Banking Resolution 333-97 of July 1997. The UNIF analyzes the SARs and submits a report to the competent authority for criminal investigation, which could be the National Guard, the Technical Judicial Police or the Office of the Public Prosecutor. There appears to be a certain duplication of function among these three entities. This Banking Resolution contains strict customer identification and record-keeping requirements, and provides a safe harbor protection from civil liability to bankers for reporting suspicious financial activities. During 2000, the UNIF expanded reporting requirements for banks to include currency transfers to "banking paradises" and transfers to or from major drug source countries. To further strengthen reporting requirements, the UNIF drafted a new law to replace the existing

banking regulation. Venezuela does not have banking secrecy laws, and comprehensive financial and law enforcement information is available to the UNIF.

Venezuela actively participates in multilateral anti-money laundering efforts. The UNIF is a member of the Egmont Group, and has signed bilateral information exchange agreements with several other financial intelligence units. In 2000, Venezuela was elected vice-president of the Organization of American States Inter-American Commission on Drug Abuse Control (OAS/CICAD) and is a member of the OAS/CICAD Experts Group to Control Money Laundering. It has joined the US-led Black Market Peso Exchange Group along with Colombia, Panama and Aruba. It is a member of the Caribbean Financial Action Task Force (CFATF). Venezuela is a party to the 1988 UN Drug Convention and in December 2000 it signed the United Nations Convention against Transnational Organized Crime.

In 1997, the US and Venezuela signed a bilateral Mutual Legal Assistance Treaty. Although ratified by the US government, it was not acted on by the Venezuela National Assembly in 2000 and accordingly has not yet entered into force. The GOV continued to share money-laundering information with US law enforcement authorities under a 1997 Customs Mutual Assistance Agreement, and a 1990 Financial Information Exchange Agreement (FIEA). The information shared has supported domestic operations by DEA that resulted in the seizure of significant amounts of money and several arrests in the United States.

The GOV should adopt the anti-organized crime bill or other appropriate legislation to criminalize the laundering of proceeds from all serious crimes. This will provide the GOV needed tools for effective investigation and prosecution of money laundering and other financial crimes.

Vietnam (Concern). Bordering China, Laos, and Cambodia and having a long coastline make Vietnam a transit country for narcotics trafficked from the Golden Triangle and vulnerable to other forms of transnational crime. There is no indication that extensive money laundering occurs through Vietnam's banking system, but Vietnam has a large shadow economy that may be used to launder money. Vietnamese regularly transfer money through gold shops and other informal mechanisms to remit or receive funds from overseas. Vietnamese use those mechanisms to avoid the official banking system, which they distrust, and to avoid notice by the authorities and tax collectors. Officially, about US \$1 billion is recorded each year in overseas remittances, but many estimate that overseas remittances through "gray" channels could be double or even triple that amount. Vietnam has expressed a strong interest in the global fight against money laundering. Vietnam's newly approved legislation criminalizing money laundering is an important step in the direction of creating a legal framework that will help Vietnam deal with money laundering and other forms of financial crime that accompany the implementation of market reforms.

The Vietnamese National Assembly approved Penal Code revisions on December 1, 1999 that included the criminalization of money laundering activity. This new code took effect on July 1, 2000. The newly approved Article 251 of the Vietnamese Penal Code criminalizes the laundering of money or property derived from any crime. Individuals who launder money through financial or banking services or other business transactions are subject to prison sentences of up to five years. If this same activity is committed by an organization, penalties of imprisonment range from 3 to 10 years. "Exceptionally serious" cases may be penalized with 8-10 years in prison.

Article 31 of the new banking law requires financial institutions to report suspicious transactions, although they are only reported to a central authority upon request. Banks are also required to maintain records sufficient to reconstruct significant transactions in order to be able to respond quickly to information requests from appropriate government authorities. The Government of Vietnam has not adopted "due diligence" legislation that make individual bankers or financial institutions responsible if their institutions launder money, however.

Vietnam is a party to the 1988 UN Drug Convention and participates as an observer in the Asia-Pacific Group on Money Laundering. Vietnam cooperates with neighboring and regional countries to combat money laundering and serious crimes. In December 2000 Vietnam signed the United Nations Convention against Transnational Organized Crime.

The Government of Vietnam needs to amend its laws and regulations to require due diligence by bankers and the reporting of all suspicious transactions to a central authority that will analyze and disseminate these reports, set guidelines for financial institutions, and cooperate with foreign counterparts.

Yemen (Other). The extent of money laundering in Yemen is not known. However, Yemen's banking sector is small and rudimentary. It is comprised of 11 commercial banks and two public sector specialized banks. The Central Bank of Yemen supervises the country's banks.

Yemen is a party to the 1988 UN Drug Convention.

Federal Republic of Yugoslavia (Concern). Narcotics trafficking, smuggling, money laundering, and other criminal activities are occurring at a noticeable level in the Federal Republic of Yugoslavia (FRY). Prior to the

ouster of the Milosevic regime by pro–democracy forces in September and December 2000 elections, there were indications of money laundering and smuggling by government officials, and media reports indicated that government officials and their cronies controlled state–owned companies, the banking system and the black markets for goods in short supply. Government officials were also reported to be controlling the illicit trade in petroleum products, cigarettes, alcohol, and other similarly oriented consumer products.

The new FRY government, led by President Kostunica, has not yet developed comprehensive plans to confront these problems in the face of more immediate and difficult tasks related to establishing political stability in the country. The FRY has not criminalized money laundering nor enacted any anti–money laundering legislation. The FRY does not belong to any international or regional anti–money laundering organizations. The FRY is a party to the 1988 UN Drug Convention and in December 2000 signed the United Nations Convention against Transnational Organized Crime. The FRY will need assistance in achieving political stability as a government prior to developing plans to confront its criminal environment and the associated problem of money laundering.

Zambia (Other). Zambia is not a major financial or money laundering center. It does not yet have in place comprehensive anti–money laundering legislation. In July 2000, the Zambian Drug Enforcement Commission sponsored a two–day workshop in Lusaka for Members of Parliament and representatives of institutions involved with good governance issues. The theme of the workshop was the effect of drug trafficking and money laundering on the nation. The group unanimously recommended that the executive branch reintroduce the Bill on Prohibition and Prevention of Money Laundering, which had been withdrawn following its first reading in Parliament.

Article 22 of Zambia's Narcotics Drugs and Psychotropic Substances Act, 1993, criminalizes money laundering related to narcotics trafficking.

Zambia is a party to the 1988 UN Drug Convention. Zambia is expected to sign the memorandum of understanding for the newly formed Eastern and Southern Africa Anti–Money Laundering Group (ESAAMLG).

Zimbabwe (Other). Zimbabwe is not a regional financial center and is not considered to be at significant risk to money laundering.

Zimbabwe's Anti–Money Laundering Act (AMLA) criminalizes narcotics–related money laundering. The Government of Zimbabwe (GOZ) reportedly drafted legislation prior to 2000 that would have required financial institutions to establish customer identification procedures and to report certain threshold transactions to a financial intelligence unit. However, the GOZ to date has not taken further action on these proposals.

Zimbabwe is a party to the 1988 UN Drug Convention, and in December 2000, signed the United Nations Convention against Transnational Organized Crime. Zimbabwe is expected to sign the memorandum of understanding for the newly formed Eastern and Southern Africa Anti–Money Laundering Group (ESAAMLG).

[End.]

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Offshore Financial Services Chart

Jurisdictions	Offshore Banks	Trust & Management Companies	IBCs/Exempt and/or Restricted Companies	Bearer Shares	Asset Protection Trusts	Insurance and Re-insurance	Sells Economic Citizenship	Internet Gaming	Criminalized Drug Money Laundering (D) & Beyond Drugs (BD)	Financial Stability Forum Group	FATF Noncooperative Exercise	Membership in International Organizations (A,C,CE,F,O,OC, I, S)
The Americas												
Anguilla	2	Y	1,988	Y	Y	Y	N	N	D	III		C, I ^{*1}
Antigua and Barbuda	26	Y	12,000	Y	Y	Y	N	Y	BD	III	R	C,OC
Aruba	2	Y	7,400	Y	N		N	N	BD	III		C,F,O, I*
Bahamas	413	Y	100,000	N	Y	Y	N	Y	BD	III	NC	C,O,OC, I, S
Barbados	51	Y	3,855	N	Y	Y	N	N	BD	II		C,O,OC, S
Belize	2	Y	16,000	Y	Y	Y	Y	Y	BD	III	R	C,OC, S, I*
Bermuda	3	Y	11,000	N	Y	Y	N	N	BD	II	R	C,O
British Virgin Islands	13	Y	360,000	Y	Y	Y	N	N	BD	III	R	C
Cayman Islands	570	Y	50,951	Y	Y	Y	N	N	BD	III	NC	C,O, I
Costa Rica	24		20		N		N	Y	D	III		C,OC, S
Dominica	6	Y	6,596		Y	Y	Y	Y	D		NC	C,OC
Grenada	16	Y	2,200	Y	Y	Y	Y	Y	BD			C,OC

Montserrat	15		22	Y		N	N	N	BD			C
Netherlands Antilles	42	N	20,919	Y	N		N	Y	BD	III		C,F,O, I
Panama	34	Y	372,667		Y	Y	N	N	BD	III	NC	C,O,OC, S
St. Kitts & Nevis				Y	Y	N	Y	Y	BD	III	NC	C, OC
(St. Kitts)	N	Y	500									
(Nevis)	1	Y	19,000									
St. Lucia	1	Y	100	N	Y	N	N	N	BD	III	R	C,OC
St. Vincent & The Grenadines	28	Y	11,000	Y	Y	Y	Y	Y	BD	III	NC	C,OC
Turks and Caicos	8	Y	27,000	Y	Y	Y	N	N	BD	III		C, I
Uruguay	12		Y	Y	N	Y	N	N	D			OC, S
Europe												
Cyprus	29	Y	47,000	N	Y		N	N	BD	III	R	CE,O, S
Gibraltar	21	Y	8,300	Y	Y	Y	N	Y	BD	II	R	O, I
Guernsey	79	Y	15,450	N	N	Y	N	N	BD	I	R	O, I, S
Alderney	N	Y	455		N		N	Y				
Sark	N	Y			N		N	N				
Hungary	N	N	300	Y	N	N	N	N	BD			
Ireland	N	Y	40,000	N	N	Y	N	N	BD	I		F, S
Isle of Man	10	Y	24,300	Y	N	Y	N	N	BD	I	R	O, I, S
Jersey ²	Y	Y	20,000	N	N	Y	N	N	BD	I	R	O, I, S
Liechtenstein ³	15	Y	75,000	Y	N	Y	N	N	BD	III	NC	CE
Luxembourg ³	200	Y	68,000	Y	N	Y	N	N	BD	I		F, S
Malta	4	Y	757	N	N	Y	N	N	BD	II	R	CE,O, S
Monaco	N		Y		N		N	N	BD	II	R	
Switzerland ³	Y	Y	Y	Y	N		N	N	BD	I		F, S

"Turkish Republic of No. Cyprus"	40	N	12		N	N	N	N	D			
Africa & Middle East												
Botswana	Y		Y									
Bahrain	48	Y	Y	N	N	N	N		N	II		O, S
Liberia			Y		Y		N	N	N			
Mauritius	11	Y	10,700	Y	Y		N	N	N	III	R	E, O, S
Madeira (Portugal)		Y	4,100	N	N	Y	N	N	BD			
Seychelles			4,808	Y		Y	N	Y	BD	III	R	E
Tunisia	12		1,200		N		N	N	N			S
Asia												
Brunei	Y		Y									
Hong Kong	Y	Y	474,500	N	N	Y	N	Y	BD	I		A, F, O, S
Labuan (Malaysia)	60	Y	2,574	N	Y	Y	N	N	BD	II		A, I, O, S
Macau	Y		Y		N		N	N	N	II		
Philippines	15								N		NC	A, S
Singapore	83		P	N	N	Y	N	N	BD	I		A, F, O, S
Thailand	44		N		N		N	N	BD			A, S
Pacific												
Cook Islands	25	Y	1,230	Y	Y	Y	N	N	BD	III	NC	
Marshall Islands	N	Y	4,000	Y	N	N	N	N	BD	III	NC	
Nauru	400	Y	Y	Y	N	Y	Y	N	N	III	NC	
Niue	5	Y	5,500	N	Y	Y	N		BD	III	NC	
Palau	2	N	N			N	Y	N	N			
Samoa	10	Y	1,000	Y	Y	Y	N	N	BD	III	NC	

Country	LU	T	4,000	T	T	T	IN	IN	BD	III	K	I*
Vanuatu	55	Y	2,500	Y	N	Y	N	Y	BD	III	R	A, O

(1) A = Asia/Pacific Group; C = Caribbean Financial Action Task Force; CE = Council of Europe Select Committee on Money Laundering; E = Eastern and Southern Africa Anti-Money Laundering Group; F = Financial Action Task Force; I = Offshore Group of Insurance Supervisors (OGIS); I* = Observer to the OGIS; O = Offshore Group of Banking Supervisors; OC = OAS/Inter-American Drug Abuse Control Commission; S = International Organization of Security Commissioners.

(2) There is no distinction drawn between onshore and offshore banks in Jersey.

(3) Liechtenstein, Luxembourg and Switzerland are unique. Residents are able to avail themselves of many OFC services and products normally reserved for nonresidents.

[End.]

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U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

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Comparative Chart

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Asset	Arrangements for Asset Sharing	Cooperates w/Domestic Law Enf.	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Offshore Financial Centers	States Parties to 88 UN Convention
Government/ Jurisdiction																
Afghanistan	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y
Albania	Y	Y	N	N	N	N	N	N	Y	N	N		N	N	N	N
Algeria	N	N	N	N	N	N					Y	N	N		N	Y
Angola	Y					N									N	N
Anguilla	Y	Y	Y	Y	M	N	Y	Y	Y	Y	N	Y	N	N	Y	Y
Antigua & Barbuda	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Argentina	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Armenia	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	Y
Aruba	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Australia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Austria	Y	Y	Y	Y	M	Y	Y	N	Y	Y	N	Y	Y	Y	N	Y
Azerbaijan	N	N	N	N	N	N	N	N		N	N	N	N	N	N	Y
Bahamas	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Bahrain	N	N	N	N	M	N	N	N	Y	Y	N	N	N	N	Y	Y

Bangladesh	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y
Barbados	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y
Belarus	N	N	Y	Y	N	N	N	N	N	N	N	Y	N	N	N	Y
Belgium	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Belize	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y
Benin	Y				M	N								Y	N	Y
Bermuda	Y	Y	Y	Y	M	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y
Bolivia	Y	Y	N	Y	M	Y	Y	N	N	N	N	N	Y	Y	N	Y
Bosnia & Herzegovina	N				M	N								Y	N	Y
Botswana	Y	N	Y		P	N	Y	Y	Y						Y	Y
Brazil	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
British Virgin Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Brunei	N	N	N	N	N	N	Y	N			N		N	N	Y	Y
Bulgaria	Y	Y	Y	Y	M	Y	N	N	Y	N	Y	Y	Y	Y	N	Y
Burma	Y	N	N	N	N	N	Y	N	N	N	N	Y	N	N	N	Y
Cambodia	Y	N	N	Y	M	N	N	N	Y	Y	Y	N	N		N	N
Cameroon	N	N				N				N					N	Y
Canada	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Cayman Islands	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Chile	Y	N	N	Y	P	Y	Y	N	Y	Y	N	Y	N	N	N	Y
China (PRC)	Y	Y	Y	N	P	N	Y	N	Y	N	Y	Y	N	N	N	N
Colombia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y
Cook Islands	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Costa Rica	Y	N	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cote d'Ivoire	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	N	Y	N	Y

Cote D'Ivoire	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	N	Y	N	Y
Croatia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Cuba	Y	Y	N	N	P	N	Y	N	N	N	Y	N	N	N	N	Y
Cyprus	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Czech Republic	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Denmark	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Dominica	Y	N	N	Y	P	N	Y	N	N	N	Y	Y	N	N	Y	Y
Dominican Republic	Y	N	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Ecuador	Y	N	Y	Y	M	N	Y	Y			N	Y	Y	N	N	Y
Egypt	N	N	N	N	N	N	N	Y	Y	Y	N	Y	N	N	N	Y
El Salvador	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Eritrea						N									N	N
Estonia	Y	Y	Y	N	M	Y	N	N	Y	N	Y	Y	N	N	N	Y
Ethiopia	N	N	N	N	N	N	N	N			N		N	N	N	Y
Fiji	Y	Y	N	Y	N	N	Y	N	Y	Y	Y	Y	N	N	N	Y
Finland	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y
France	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Georgia	N	N	N	N	N	N	N	N			N	Y	N	N	N	Y
Germany	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Ghana	Y	Y	N	Y	N	N	Y	N	Y	Y	Y		Y	Y	N	Y
Gibraltar	Y	Y	Y	Y	M	N	Y	Y	Y	N	N	Y	Y	Y	Y	N
Greece	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Grenada	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Guatemala	Y	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y
Guernsey	Y	Y	N	N	M	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N

Liechtenstein	Y	Y	Y	Y	M	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	M	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y
Luxembourg	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Macau	Y	Y	N	Y	M	N	Y	N			N	Y	Y		Y	Y
Macedonia	Y	Y				N									N	Y
Madagascar	Y					N									N	Y
Malawi						N									N	Y
Malaysia	Y	Y	N	N	N	N	Y	N	Y	Y	N	Y	N	N	Y	Y
Maldives	N	N	N	N	N	N	N	N			N		N	N	N	Y
Mali						N									N	Y
Malta	Y	Y	N	Y	M	N	Y		Y		N		Y	N	Y	Y
Marshall Islands	Y	Y	Y	Y	M	N	Y	Y			N	Y	Y	Y	Y	N
Mauritius	Y	Y	N	Y	M	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Micronesia						N									N	N
Moldova	N	N	Y	Y	M	N	N	N	Y	N	N	Y	Y	N	N	Y
Monaco	Y	Y			M	Y	Y					Y	Y		Y	Y
Mongolia	N	N	N	N	N	N					N	N	N	N	N	N
Montserrat	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
Morocco	N	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	Y
Mozambique	Y	N	N	N	N	N	N	N	N	N	N		N	N	N	Y
Namibia	N	N	N	N	N	N					N	N	N	N	N	N
Nauru	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N
Nepal	N	N	N	Y	N	N	Y	N	Y	Y	N	Y	N	N	N	Y
Netherlands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y

Netherlands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y
Antilles																
New Zealand	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Nicaragua	Y	N	Y	N	N	N	Y	N	Y	N	N	Y	N	N	N	Y
Niger						N									N	Y
Nigeria	Y	N	Y	Y	M	N	Y	N	Y	Y	Y	Y	N	Y	N	Y
Niue	N	N	N	Y	M	N	N	N	Y	Y	N	Y	Y	Y	Y	N
Norway	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Oman	N	N	Y		P	N						Y			N	Y
Pakistan	Y	N	N	Y	N	N	Y	N	Y	N	N	Y	N	Y	N	Y
Palau	N	N	N	Y	N	N	N	N	Y	Y	N	N	N	N	N	N
Panama	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Papua New Guinea	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Paraguay	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y
Peru ¹	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	Y	Y	Y	N	Y
Philippines	N	N	Y	Y	P	N		N	N	Y	Y	Y	N	N	N	Y
Poland	Y	Y	Y	Y	M	N	N	N	Y	Y	Y	Y	Y	N	N	Y
Portugal	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Qatar	N	N	Y	Y	N	N					N	Y	N	N	N	Y
Romania	Y	Y	Y	Y	M	Y	N	N	Y	N	N	Y	Y	Y	N	Y
Russia	Y	Y	N	N	N	N	Y	N	Y	N	N	Y	N	N	N	Y
Samoa	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Saudi Arabia	Y	Y		Y	M	N	Y	N	Y			Y	Y		N	Y
Senegal	Y	N				N									N	Y
Seychelles	Y	Y	N	Y	P	N	Y	N						Y	Y	Y
Singapore	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y

Slovakia	Y	Y	Y	Y	M	Y	N	N	Y	Y	Y	N	Y	N	N	Y
Slovenia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Solomon Islands						N									N	N
South Africa	Y	Y	N	Y	M	N	Y	N	Y	Y	N	Y	N	Y	N	Y
Spain	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Sri Lanka	N	N	N	N	N	N	N	N	Y	N	N	Y	N	N	N	Y
St Kitts & Nevis	Y	Y	Y	Y	P	N	Y	Y		Y	Y	Y	Y	Y	Y	Y
St. Lucia	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y
St. Vincent/ Grenadines	Y	Y	Y	Y	P	N	Y	Y	Y	N	N	Y	N	N	Y	Y
Suriname	Y	N	N	N	M	N	N				N	Y	N	N	N	Y
Swaziland	N	N				N									N	Y
Sweden	Y	Y	Y	Y	M	Y	Y		Y	Y	N	Y	Y	Y	N	Y
Switzerland	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Taiwan	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	NA
Tajikistan	N	N	N	N	N	N	N	N			N	Y	N	N	N	Y
Tanzania	Y	N	Y	Y	P	N	Y	N	Y				N	Y	N	Y
Thailand	Y	Y	Y	Y	M	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Togo	Y	N				N										Y
Tonga	N	N	Y	Y	N	N	Y	N	Y	Y	Y	N	N	N	N	Y
Trinidad & Tobago	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Tunisia	N	N			N	N					Y				Y	Y
Turkey	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Turkmenistan	N	N				N									N	Y
Turks & Caicos	Y	Y	Y	Y	M	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y

Uganda	N	N	N	N	N	N	N	N			N		N	N	N	Y
Ukraine	Y	N	N	N	N	N	Y	N	Y	N	Y	Y	N	N	N	Y
United Arab Emirates	N	N	Y	N	M	N	N	N	Y	Y	N	Y	N	N	N	Y
United Kingdom	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
United States	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uruguay	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	Y	Y	N	Y	Y
Uzbekistan	Y	Y	N	Y	N	N	N	N	Y	N	Y	Y	N	N	N	Y
Vanuatu	Y	Y	Y	Y	M	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Venezuela	Y	N	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Vietnam	Y	Y	N	Y	M	N						Y			N	Y
Yemen						N									N	Y
Yugoslavia FR	N	N			N	N	N	N					N	N	N	N
Zambia	Y	N	N	N	N	N	Y				N		N	N	N	Y
Zimbabwe	Y	N	N		N	N	Y								N	Y

(1) Peru's requirement to record large transactions is temporarily suspended.

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