



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 31 May 2013**

**10166/13**

**CORDROGUE 39  
AMLAT 10**

**NOTE**

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from:	US Regional Chair of the Dublin Group
to:	Dublin Group
No. prev. doc.:	17970/11 CORDROGUE 96 AMLAT 107
Subject:	Regional report on Central America

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**1. Progress of work in the mini-Dublin groups**

The United States chairs the Central America Regional Dublin Group and is responsible for providing an annual report to the Central Dublin Group on drug-related issues and activities in the region, including documenting the work of Mini Dublin Groups in Central American countries. The Central America Regional Dublin Group consists of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama. Although Belize is part of the Caribbean Regional Dublin Group, it has been included in this report. This report covers activities in the region between January 2012 and May 2013.

The Central American Integration System (SICA) has been charged by Central American governments to coordinate international cooperation to address organized crime and drug trafficking in Central America and to support the implementation of citizen security programs contained in the SICA Security Strategy. The United States and other international donors work with SICA through the SICA Group of Friends of Central America mechanism. For this reason the Dublin Group has not been active in Central America in 2012 and 2013.

Since January 2012, only one Mini Dublin Group took place, in Mexico City, Mexico, on February 5, 2013. In lieu of information provided by Mini Dublin Groups, this report relies on information on the illicit drugs situation based on information in the International Narcotics Control Strategy Report (INSCR), which the United States prepares annually, as required by U.S. law. The INSCR is available at <http://www.state.gov/j/inl/rls/nrcrpt/2012/index.htm>.

### **1.1. Overview of the regional situation regarding illicit narcotics production**

Central America is a major transshipment route for illegal drugs destined for North America and other international markets. Local consumption of illegal drugs also appears to be growing in many of the countries of the region. Security challenges associated with the drug trade are also pressing issues for countries of the region, including high levels of violence, money laundering, official corruption, and other organized criminal activities.

More than eighty percent of all cocaine trafficked to the United States transits through the Central American Corridor. There is a growing trend towards more production in the region. Marijuana is largely produced in small quantities for local consumption. Guatemala is a minor – but growing – producer of opium poppy. Regionally, there is a growing trend in the production of new psychoactive substances. Traffickers in the region are turning to the importation of non-scheduled precursor chemicals to manufacture methamphetamine through alternative methods to avoid the control measures put in place in 2011.

### **1.2. Presentation of the national situation regarding illicit narcotics production, consumption and trafficking in narcotics and psychotropic substances, money laundering and precursor control**

#### **1.2.1. Belize**

Belize is a transshipment country for cocaine and precursor chemicals used in the production of illegal drugs, including synthetic drugs. The Belize Coast Guard, Mobile Interdiction Team, and the Anti-Drug Unit undertook enhanced efforts to monitor the country's land routes and coastal waters in 2012. Unfortunately, limited funds, equipment, and personnel hindered the effectiveness of some of these organizations.

### ***1.2.1.1. Production***

Belize's population density is the lowest in Central America and its remote jungles make it a hospitable environment for growing marijuana. Illegal narcotic drugs other than marijuana are not grown in Belize.

### ***1.2.1.2. Consumption***

Belize continues to possess a cultural tolerance for the use of marijuana. Reflecting a pattern where the transit country for drugs begins to see its own population become significant abusers, the National Drug Abuse Council reported that crack cocaine use rose and remains the second most abused drug in Belize in 2012. Cocaine hydrochloride is the third most abused drug in the country.

In 2012, Belizean authorities seized and destroyed 19.1 metric tons (MT) of marijuana, 156 MT of precursor chemicals, 55.4 kilograms (kg) of cocaine, 1.4 kg of crack cocaine, and 4.9 kg of crystal methamphetamine. Belizean authorities also recovered an additional 59.5 kg of cocaine that was found abandoned, leading to no arrests (classified separately from seizures in Belize).

### ***1.2.1.3. Trafficking***

Belize is vulnerable to the transshipment of illicit drugs due to its position along the Central American isthmus between the South American drug-producing countries and Mexico. It has long stretches of unpatrolled, unpopulated forests on its borders with Guatemala and Mexico, and an unpatrolled coastline that includes hundreds of small cayes (islands) and atolls. Drug trafficking is creating a citizen safety challenge for Belize. Despite enhanced efforts to monitor coastal waters, the Belize Coast Guard, Mobile Interdiction Team, and the Anti-Drug Unit are hampered by limited funds, equipment, and personnel. Deficiencies in intelligence gathering and analysis, and a weak judicial sector are also major impediments to reducing the flow of narcotics through Belize. Drug-related deaths, according to law enforcement, accounted for at least 36 percent of the 145 homicides in the country.

### ***1.2.1.4. Money-Laundering***

Belize is not a major regional financial center but is an offshore financial center. Belizean officials suspect that money laundering occurs primarily within the free trade zones. Authorities in Belize have encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies.

Belize has pegged the Belizean dollar to the U.S. dollar and continues to offer financial and corporate services to nonresidents in its offshore financial sector, which represents a vulnerability for money laundering. There is a strong indication that money laundering proceeds are related to proceeds from the trafficking of illegal narcotics, psychotropic substances, and chemical precursors, and that they are controlled by local drug trafficking organizations and organized criminals. Some money laundering is thought to be related to proceeds from United States residents participating in unlawful internet gaming.

The “Domestic Banks and Financial Institution Act” was passed in Belize in August 2012. It strengthens internal anti-money laundering (AML) controls. The Act improves provisions to govern domestic banks and financial institutions by strengthening the supervisory powers and regulatory independence of the Central Bank, addressing deficiencies and vulnerabilities in the domestic banking sector, and providing for the appointment of a statutory license administrator, where appropriate, to protect the interests of depositors, creditors and shareholders.

Also in August 2012, Belize successfully convicted three people in a case involving a company’s local owners and employees laundering money through an Internet gaming website. Three individuals were convicted on money laundering charges in November 2012. This is the first significant money laundering conviction in Belize.

#### ***1.2.1.5. Precursor Control***

Large quantities of precursor chemicals used in the production of methamphetamine and other illicit drugs are believed to transit Belize en-route to Mexico. Over 156 MT of precursor chemicals were seized and destroyed in June 2012 alone. In October, five kilograms of crystal methamphetamine was seized by Belizean Police near the border of Guatemala.

#### **1.2.2. Costa Rica**

Costa Rica is a major eradicator of marijuana in the region. Marijuana is produced in the country and is increasingly being kept in Costa Rica for local consumption. Trafficked drugs continue to flow through Costa Rica from South America. Money laundering and financial crimes are also issues in the country; however, new anti-money laundering regulations were enacted in 2012 that should improve enforcement on this issue.

### ***1.2.2.1. Production***

Costa Rica continued to eradicate significant quantities of marijuana in 2012. During 2012, Costa Rican Drug Control Police eradicated and seized 928 metric tons (MT) of marijuana; a decrease from 1,577 MT seized the previous year. This significant drop in eradication and seizures was likely due to heavy rainfall that limited law enforcement access to growing regions. It has been reported that the THC (tetrahydrocannabinol) content of Costa Rican marijuana is low, but recent analysis has shown it to be increasing. Authorities also seized 14.73 MT of cocaine, 19.21 kg of heroin, and \$6.2 million in currency and assets.

### ***1.2.2.2. Consumption***

Consumption of illicit narcotic drugs rose in 2012. Marijuana and crack cocaine were the major drugs consumed domestically. This consumption increased due to the production and transit, respectively, of marijuana and cocaine in and through the country. Marijuana producers kept an increased amount of their product in Costa Rica while smugglers trafficked crack cocaine into Costa Rica, in some cases for local consumption. The tendency for drug traffickers to pay for services rendered to locals with drugs instead of money is a continuing catalyst for domestic drug use, especially crack cocaine.

### ***1.2.2.3. Trafficking***

Costa Rica is a major route for cocaine flowing from South America to the United States. It is estimated that 174 MT of cocaine passed through Costa Rica on its way to the United States during 2012. Various factors contribute to making Costa Rica a drug transshipment point for cocaine destined for the United States including its strategic geographic location on the isthmus linking narcotics producing countries in South America with the United States; its extensive Caribbean and Pacific coastlines; the vulnerable Costa Rican Coco Island in the Pacific Ocean; and its porous borders with Panama and Nicaragua.

The Costa Rican Coast Guard remains an under-resourced agency with limited operational capacity. This dearth of enforcement capacity in territorial waters makes Costa Rican coasts an attractive landing zone for traffickers. Costa Rican-flagged fishing boats continue to be used by traffickers to smuggle multi-ton shipments of drugs through the littorals and to provide fuel for go-fast boats that favor Pacific routes.

The southern Golfito region is a common destination for traffickers to off-load cocaine for transport north via the Pan-American Highway. Traffickers continue smuggling drugs through the postal system, international courier services, and via individual passengers on international flights. Traffickers use Costa Rica as a “warehouse” to store narcotics temporarily on their trip north, often landing drugs on Costa Rican shores from go-fast boats and then storing them until further land- or air-based travel can be arranged. Inadequate border management with Panama and Costa Rica results in less than effective control of drugs transiting in and out of Costa Rica.

#### **1.2.2.4. Money-Laundering**

Costa Rica is not a major regional financial center, but remains vulnerable to money laundering and other financial crimes, including various schemes that target United States-based victims. Proceeds from international cocaine trafficking still represent the most significant source of assets laundered in Costa Rica. Proceeds from other domestic criminal activities, including financial frauds, human trafficking, corruption, and contraband smuggling, are also laundered in Costa Rica. Criminal organizations utilize financial institutions, licensed and unlicensed money remitters, and free trade zones (FTZs) to launder the proceeds of their illicit activities. A sizeable internet gaming industry also poses significant risks for money laundering, with millions of dollars in illicit proceeds in Costa Rica and offshore centers being laundered annually.

Money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. Costa Rica reports it is primarily used by foreign organizations as a bridge to send funds to and from other jurisdictions using bulk cash shipments and companies or financial institutions located offshore.

The smuggling of bulk currency across borders with Panama and Nicaragua is also prevalent. Nicaraguan nationals residing in Costa Rica send over \$12 million in remittances annually to family members in their home country, much of which is sent via unlicensed money remitters.

Costa Rica made substantial progress enhancing its anti-money laundering (AML) regime through modifications to the legal and regulatory frameworks. Additional AML regulations for financial institutions and designated non-financial businesses and professions (DNFBPs) were implemented in 2012. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information. In 2012, the first successful prosecution of an individual on charges of money laundering took place in Costa Rica.

#### **1.2.2.5. Precursor Control**

*No update.*

### **1.2.3. El Salvador**

The Pan-American Highway and the coast of El Salvador continue to be the major transit points for drug traffickers in the country. Drug use in El Salvador is a growing problem and part of a regional trend where countries with high levels of drug trafficking report increased levels of drug use.

#### **1.2.3.1. Production**

Local growers cultivate small quantities of marijuana for domestic consumption.

#### **1.2.3.2. Consumption**

Drug use among Salvadorans is a growing problem, particularly among youth, although reliable statistics for illegal consumption are not kept by the government. Authorities seized 327 kg of cocaine, 12.5 kg of heroin, and 452.6 kg of marijuana. Additionally, \$2.03 million in currency and property related to illicit activities were seized in 2012.

#### **1.2.3.3. Trafficking**

El Salvador is a transit country for illegal drugs headed to the United States and other international markets from production countries in South America. Traffickers in El Salvador continue to use go-fast boats and commercial vessels to smuggle illegal drugs along the coastline; land transit usually takes place along the Pan-American Highway, with drugs hidden in the luggage of bus passengers or in containers on commercial tractor-trailers. The Cooperative Security Location at El Salvador's international airport in Comalapa is key to regional detection and interception efforts along both routes.

#### **1.2.3.4. Money Laundering**

*No update.*

#### **1.2.3.5. Precursor Control**

*No update.*

#### **1.2.4. Guatemala**

In 2012, the security situation remained a serious concern. Local and international drug trafficking organizations, including the Sinaloa cartel and Los Zetas, have a continuing presence in the country. Guatemala is also beset with an array of transnational crime, including trafficking in persons and arms, and a continued emergence of regionally powerful gangs who engage in armed robbery, murder-for-hire, and extortion

##### **1.2.4.1. Production**

Guatemala is a minor – but growing – producer of opium poppy, as well as a producer of marijuana for domestic consumption, particularly in the western Department of San Marcos.

##### **1.2.4.2. Consumption**

Guatemala lacks current information and data to accurately assess the breath of illicit drug abuse in the country.

##### **1.2.4.3. Trafficking**

Guatemala's location between the Andean drug producing countries and the United States market makes it an ideal transshipment point easily accessible by drug-trafficking organizations. Large amounts of the cocaine entering the United States transits through Guatemala due to the country's weak public institutions, pervasive corruption, and vast ungoverned spaces. Guatemala's limited maritime law enforcement presence also makes it ideal for the transit of drugs through its coastal waters. The large, sparsely patrolled border with Mexico to the north remains a detriment to anti-trafficking efforts in the country. Efforts made by the Vice Ministry for Counter Narcotics and United States Joint Inter-Agency Task Force South (JIATF-S) in eradication and interdiction played a major role in the seizures of drugs in 2012. Guatemala seized 4.7 metric tons (MT) of cocaine in 2012, an increase from the previous year. Additionally, 8 kg of heroin, \$2.4 million in drug-related currency, and over \$5.6 million in drug-related assets were seized. Guatemalan authorities had over 14,000 barrels of precursor chemicals, 7,000 bags of dry chemicals, and 25,000 liters of liquid chemicals in their possession and awaiting disposal as of October of 2012.



#### **1.2.4.4. Money Laundering**

Guatemala is not considered a regional financial center. However, historically weak law enforcement and judiciary systems, coupled with corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala.

A significant number of remittances are transferred through banks and appear to pose little risk for money laundering. A number of casinos, games of chance and video lotteries operate, both onshore and offshore. Unsupervised gaming activity represents a significant money laundering risk.

Law enforcement agencies report that money laundering continued to increase during 2012, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico.

The Central America-4 (CA-4) Border Control Agreement, which was implemented in 2006, exempts nationals from Nicaragua, Guatemala, Honduras, and El Salvador from providing travel documents when crossing neighboring borders. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

#### **1.2.4.5. Precursor Control**

Concern remains about the continued presence of Mexican drug trafficking organizations in Guatemala and their increased capacity to produce and export opium derivatives and synthetic drugs to Mexico and the United States.

Stricter regulations have contributed to an increase in seized precursor chemicals, especially at the ports. According to a United States assessment on seized chemicals in Guatemala, there are over 14,000 barrels of precursors, 7,000 bags of dry chemicals, and 25,000 liters of liquid chemicals. Unfortunately, many of these sites do not have the facilities to properly store these chemicals and Guatemala does not have the infrastructure to dispose of this material. The United States continues to work with the Guatemalan government and the private sector to develop a plan to safely store and dispose of these precursor chemicals. Recently, the United States provided \$500,000 to the Organization of American States Department of Public Security for this purpose.

The ban on ephedrine/pseudoephedrine import in Mexico has pushed the trade in these methamphetamine precursors south into Guatemala and Central America.

### **1.2.5. Honduras**

Honduras's use as a transshipment point for drugs on the way north continued to rise in 2012. Marijuana is also produced in the country for local consumption, which is also on the rise. Government institutions in Honduras are taking an active role in combating drug trafficking and violence, but thus far have made limited gains.

#### **1.2.5.1. Production**

While Honduras is not generally considered a production center for drugs, except for marijuana primarily produced for domestic consumption, there have been incidences of manufacturing and producing drugs in recent years. In November, Honduran authorities dismantled a criminal network that was involved in manufacturing synthetic drugs. Over 12 tons of precursor chemicals were seized in this operation.

#### **1.2.5.2. Consumption**

There is modest marijuana production for local consumption in Honduras. According to the Honduran Institute for the Prevention of Alcoholism and Drug Addiction and Dependency, drug use is on the rise. In addition to alcohol, inhalants, marijuana, and cocaine are commonly abused drugs in the country.

#### **1.2.5.3. Trafficking**

Honduras is the number one global transshipment point for cocaine destined for the United States. The United States estimates that 87 percent of all cocaine smuggling flights departing South America first land in Honduras, an increase of eight percent from the year before. These flights primarily land in the North Atlantic Coastal Region of Honduras. Drugs are then moved via the Pan American Highway, flights north, and maritime traffic.

The La Mosquitia region of eastern Honduras is particularly vulnerable due to its remoteness, limited infrastructure, and weak law enforcement institutions. La Mosquitia is the world's primary landing zone for narcotics flights. Transshipment is facilitated by air, maritime vessels, riverine traffic, and the Pan-American Highway, which crosses southern Honduras.

Government institutions are combating narcotics trafficking with limited success, though their net effect on the narcotics transshipment industry in Honduras is still negligible.

#### ***1.2.5.4. Money Laundering***

The Honduran Anti Money Laundering chief was assassinated in 2012. In April 2013, Honduras' top anti-money-laundering prosecutor was shot to death in an apparent assassination.

#### ***1.2.5.5. Precursor Control***

Precursor chemicals are increasingly found in Honduras. These chemicals are used by drug trafficking organizations, such as the Sinaloa Cartel, to produce methamphetamine and other illicit drugs.

### **1.2.6. Mexico**

In 2012, Mexico arrested 22,964 Mexican nationals and 251 foreigners for charges related to organized crime. Mexico remains a major transit and source country for illicit drugs destined for the United States and other international markets and a major center for money laundering.

#### ***1.2.6.1. Production***

Mexico is a major supplier of heroin, marijuana, and methamphetamine to the United States and other international markets. Most illicit drug crop production occurs in the rural areas of Sinaloa, Chihuahua, Durango, and Guerrero. Small marijuana and opium poppy crops are also grown in Sonora, Nayarit, Michoacan, and Oaxaca. Detection and eradication are difficult and police presence is minimal in these state's rural areas. Taking seizures as an indication, the production of methamphetamine and other synthetic drugs rose sharply in the past year. Mexican authorities seized an unparalleled number of labs in 2012.

Black tar and brown heroin dominate the Mexican heroin trade, with some white heroin from South America. Approximately seven percent of the world's heroin supply is produced in Mexico. Although most Mexican heroin is destined for users in the United States, Mexico has experienced a significant increase in domestic abuse.

### **1.2.6.2. Consumption**

Mexican domestic consumption of illicit drugs has risen steadily since 2002, according to the National Council Against Addiction (CONADIC) of the Health Secretariat. The use of heroin has also increased in the past year, while use of any drug by males aged 18-24 has increased significantly as well. The northern states of Mexico suffer most, due to increased availability of drugs from failed smuggling attempts and use of drugs as payment to young gang members and other TCO employees.

In 2012, Mexico seized over three metric tons of cocaine, 1,250 MT of marijuana, 182 kg of heroin, over 30 metric tons (MT) of methamphetamine, and approximately 1.46 MT of opium gum. Additionally, 8,659 hectares (ha) of marijuana, 14,000 ha of opium poppy, and 267 methamphetamine labs were eradicated and dismantled by December 27 of 2012.

### **1.2.6.3. Trafficking**

Mexico remains a major transit country for illicit drugs reaching the United States. An estimated 90 percent of the cocaine reaching the United States transits the Mexico-Central America corridor from South America. Between 2011 and 2012, only two percent of the cocaine transiting through Mexico to the United States was interdicted.

Since 2008, drug trade patterns have shifted in the Western Hemisphere, largely attributable to events related to Mexico. Mexican smugglers have significantly expanded their presence in Central America and now rely heavily on land-based shipping routes. The Mexico-Central America corridor continues to be the principal transit route for cocaine into the United States. While the United States remains a primary destination for South American drugs, expanding markets in Latin America and Europe, as well as continued law enforcement efforts in Mexico, may further alter drug-trafficking routes in the future.

### **1.2.6.4. Money Laundering**

Mexico is a source and destination for money laundering activity, and the majority of small arms seized in Mexico can be traced to the United States. The principal source of money laundering in the Mexican financial system is the proceeds from the illicit drug trade leaving the United States.

Other significant sources of illegal proceeds being laundered include corruption, kidnapping, and trafficking in firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive United States-Mexico border, the large flow of legitimate remittances, and the high volume of legal commerce to conceal transfers to Mexico. The smuggling of bulk shipments of United States currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers, remain favored methods for laundering drug proceeds. However, the use of trade-based money laundering is an increasing trend in the country.

According to United States authorities, drug trafficking organizations send between \$19 and \$29 billion annually to Mexico from the United States, though Mexico disputes this figure. Though the combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem, the implementation of U.S. dollar deposit restrictions in Mexico reduced the amount of bulk cash repatriation back to the United States via the formal financial sector by approximately 70 percent, or \$10 billion. Mexico has seized over \$500 million in bulk currency shipments since 2002.

A long-awaited anti-money laundering law was approved in October 2012 that aims to impose harsher sanctions, create a specialized PGR unit for investigations and prosecutions, and restrict the amount of U.S. banknotes and coins that Mexican banks may receive.

#### ***1.2.6.5. Precursor Control***

Mexico has several major chemical manufacturing and trade industries that produce, import, or export most of the chemicals required for illicit drug production, including potassium permanganate (in cocaine), and acetic anhydride (in heroin). While Mexico is a major supplier of methamphetamine, the country currently has no facilities or chemical plants that can synthesize or manufacture pseudoephedrine or ephedrine powder.

#### **1.2.7. Nicaragua**

Nicaragua possesses limited law enforcement capabilities and must operate in sparsely populated regions that are difficult to police. Border security remains an issue as well. Because of this, Drug Trafficking Organizations (DTOs) are able to transit drugs, weapons, and currency, as well as establish labs and warehouses in the country.

### **1.2.7.1. Production**

Nicaragua is a producer of methamphetamine and marijuana. No reliable data exists to indicate the destination of this growing sector of the drug trade in Nicaragua, although there are indications that domestic use of these drugs is on the rise, particularly on the Caribbean coast.

### **1.2.7.2. Consumption**

Domestic use of crack cocaine, methamphetamine, and marijuana again rose in 2012. This was particularly true among 16 to 35 year olds, according to Nicaraguan community leaders and law enforcement.

The Drug Abuse Resistance Education (DARE) program of the Nicaraguan National Police (NNP) continues its role as Nicaragua's premier youth demand reduction program in all regions of the country. Since 2001, more than 70,000 students in 800 schools have participated in the DARE programs in English, Spanish, or Miskito.

The NNP's Second Step program (Segundo Paso), which prepares teachers and police officers for drug awareness and prevention at the preschool level, continued in Managua and in the Caribbean coastal areas – the Northern Atlantic Autonomous Region (RAAN) and the Southern Atlantic Autonomous Region (RAAS).

The NNP continued to give former gang members, and their families, vocational skills and alternatives to the gang life-style in 2012. Through the Community Policing Program, which is supported by the United States, the Nicaraguan National Police engaged 15 neighborhoods in critical areas of Managua to educate over 400 at-risk youth on the risk of gangs in 2012.

In 2012, the Gang Resistance Education and Training (GREAT) program expanded to all regions of the country. The program graduated 2,689 students from 30 public elementary and high schools in Nicaragua.

Drug seizures in 2012 were consistent with seizures made in 2011. 9.3 metric tons (MT) of cocaine, 986 kg of marijuana, 4 kg of crack, and 13 kg of heroin were seized in 2012. Additionally, 43,252 marijuana plants were eradicated and 14 drug trafficking cells neutralized. Thirteen million dollars was also seized in 2012, nearly tripling the \$5 million seized in 2011.

### ***1.2.7.3. Trafficking***

Nicaragua is a major route for cocaine flowing from South America to the United States.

Nicaragua's poor economy, limited law enforcement capabilities, border security, and sparsely populated regions provide an opportune environment for drug trafficking organizations (DTOs) to transit drugs, weapons, and cash and to establish clandestine labs and warehouse facilities. DTOs are increasingly reliant on local populations for logistical support, including refueling and security, as well as the use of women and children as "mules" to transport contraband. In 2012, DTO transshipment methods varied between land, sea, and air routes. The remote areas of the border between Honduras and the Región Autónoma del Atlántico Norte (RAAN) region of Nicaragua continued to be a heavy trafficking zone in 2012.

Nicaraguan forces have limited tactical communications between surface and air assets, which impedes interdiction coordination. Despite these conditions, Nicaragua's civilian and military law enforcement units have successfully disrupted multiple DTO operations throughout the country in the past year, notably in the strategically important autonomous regions of the Caribbean coast, the RAAN and RAAS (Región Autónoma del Atlántico Sur). This included dismantling DTO logistic structures; seizing drugs, currency, and small arms; destroying clandestine airstrips; and confiscating vehicles, aircraft, vessels, and livestock. Nicaragua has also developed an effective strategy for protecting and deterring DTOs from littoral waters and has denied smugglers the use of these maritime routes.

### ***1.2.7.4. Money Laundering***

*No update..*

### ***1.2.7.5. Precursor Control***

In a joint operation between the Nicaraguan Army and the Ministry of Health and Customs officials, the NNP seized 4,400 gallons of chemical precursors in 2012. These precursors were seized as part of a laboratory operation meant to produce hallucinogenic synthetic drugs.

## **1.2.8. Panama**

The strategic location of Panama in Central America, along with its developed transportation infrastructure, make it a major drug transshipment point and an attractive target for money launderers.

#### **1.2.8.1. Production**

Panama is not a producer of cocaine, heroin, or precursor chemicals. There is limited cannabis cultivation in Panama, principally for domestic consumption.

#### **1.2.8.2. Consumption**

Panama has not updated the formal written strategy on drug demand reduction established in 2007.

#### **1.2.8.3. Trafficking**

DTO's move illegal narcotics and drug proceeds through Panama's remote Darien region, its coastline and littoral zones, and its transportation infrastructure, including the second largest free trade zone in the world, four containerized seaports, the Pan-American Highway, and the fourth busiest airport in Latin America. Mexican and Columbian groups operate most of the drug trafficking in Panama.

#### **1.2.8.4. Money-Laundering**

Money laundered in Panama is believed to be primarily from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Panama's strategic geographic location, dollarized economy, and status as a regional financial, trade, and logistics center make it an attractive target for money launderers. The Colon Free Zone, the second largest free trade zone in the world, is located on Panama's Atlantic coast. Numerous factors hinder the fight against money laundering, including a weak regulatory framework, the existence of bearer share corporations, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism, and a lack of collaboration among government agencies. Additionally, agencies are under-resourced, often lacking the personnel and training to investigate and prosecute complex money laundering schemes.

#### **1.2.8.5. Precursor Control**

*No update.*



### **1.3. Summarizing the work of the mini-Dublin groups in the region.**

#### **1.3.1. Regional Summary**

Governments in the region have placed special emphasis on developing their capacities to safeguard citizen security. This extends to cooperation with donors on assistance priorities. Therefore, most donor coordination has taken place under the Group of Friends/SICA rubric, instead of through Mini Dublin Group Meetings. Since January 2012, only Mexico has convened a Mini Dublin Group meeting (February 2013).

#### **1.3.2. Belize.**

*No formal Dublin Group Meeting.*

#### **1.3.3. Costa Rica.**

*No formal Dublin Group Meeting.*

#### **1.3.4. El Salvador.**

*No formal Dublin Group Meeting.*

#### **1.3.5. Guatemala.**

*No formal Dublin Group Meeting.*

#### **1.3.6. Mexico**

U.S. Embassy Mexico convened a Mini Dublin Group meeting on February 5, 2013. The discussions focused on assistance programs undertaken by donor countries in Mexico. United States and Canadian assistance to Mexico were the main topics of discussion. Representatives from other countries and from UNODC briefed the group with issues and updates regarding their assistance in Mexico, primarily in relation to the Merida Initiative. Representatives were very interested in the specifics of Merida programming and agreed to coordinate with the United States in order to avoid duplication and develop synergy in joint efforts to assist Mexico in law enforcement and judicial programs.

#### **1.3.7. Nicaragua.**

*No formal Dublin Group Meeting.*

### **1.3.8. Panama.**

*No formal Dublin Group Meeting.*

### **1.4. Essential points to be followed up by the mini-Dublin groups**

Although much progress has been made at the local level, continuous efforts to improve donor coordination remain necessary. This is especially true in coordinating aid to countries with seized stockpiles of precursor chemicals.

## **2. Regional or sub-regional nature of problems**

### **2.1. Central American Political Will**

The Central American countries are prioritizing their most pressing citizen security, rule of law, and prevention challenges, and are taking ownership of the solutions needed to reduce their insecurity. President Chinchilla of Costa Rica has asked the Costa Rican legislature to permit the extradition of Costa Rican citizens for criminal offenses and to modify unduly restrictive wiretapping laws. The Guatemalan government, largely through Attorney General Paz y Paz's work to build the government's investigative and prosecutorial capacities, achieved a 27 percent increase in bringing murder cases to trial in Guatemala City over the last two years and an increase of almost 14 percent in general convictions nationwide. Honduran President Lobo has declared 2013 the Year of Prevention and is working to support job training for at-risk youth, community policing, the establishment of safe urban spaces, and juvenile justice reform.

### **2.2. Precursor Disposal**

Throughout the region, the disposal of precursor chemicals remains an issue in each country. Most, if not all, of the countries either lacks the funding or the technical capacity to dispose of precursor chemicals when found. This has led in many cases to unsafe storage conditions while each country determines how to dispose of the chemicals.

### **3. Matters requiring treatment by the Dublin Group at the central level.**

#### **3.1. Coordinated Donor Response**

The international donor community, including Dublin Group members, continues to work with SICA and the Central American governments to provide sustainable capacity building programs in the region. We should continue to assist security forces to more effectively defend national borders, police littoral waters, land borders, and airspace against criminals and traffickers, and to foster closer collaboration with regional civilian law enforcement personnel to bolster their capabilities.

#### **3.2. Central American Governments Should Continue to Contribute**

We must see improved partner government investment into security.

#### **3.3. Coordination with SICA**

The United States works in coordination with the Central America Integration System (SICA) to support the implementation of the SICA Security Strategy. United States interagency programs support all four key objectives of the SICA plan, which include combating crime, social prevention of violence, improving penitentiaries and rehabilitation, and strengthening institutions.

### **4. Place and date of meetings of mini-Dublin groups.**

#### **4.1. Belize**

*No formal Dublin Group Meeting.*

#### **4.2. Costa Rica**

*No formal Dublin Group meeting.*

#### **4.3. El Salvador**

*No formal Dublin Group meeting.*

#### **4.4. Guatemala**

*No formal Dublin Group Meeting.*

#### **4.5. Honduras**

*No formal Dublin Group meeting.*

#### **4.6. Mexico**

On February 5, 2013, the United States Embassy Narcotics Affairs Section hosted a Mini-Dublin meeting with representatives of the embassies of Spain, Finland, France, Canada, Germany, Japan, Russia, the UK and the UNODC. The discussion held during this meeting centered on Merida Initiative funding, programs, and results and on individual assistance programs in Mexico and regionally.

#### **4.7. Nicaragua**

*No formal Dublin Group Meeting.*

#### **4.8. Panama**

*No Formal Dublin Group Meeting.*

### **5. Regional group recommendations/conclusions with respect to:**

#### **5.1. Political initiatives**

##### ***Central American Integration System (SICA)***

The Central American Integration System (SICA) International Conference of Support for the Central American Security Strategy, held in June 2011 in Guatemala City, Guatemala, launched the Group of Friends of Central America (GOF) process.. The GOF comprises donors and international financial and multilateral organizations that provide citizen security assistance in the region and support the Central American Integration System's (SICA) Security Strategy, which identifies the region's top 22 regional citizen security programs and includes projects organized under four pillars: combating crime; prevention; rehabilitation, reinsertion, and penitentiary management; and institutional strengthening.

Within the GOF, the U.S, with Colombia and Mexico, chairs the Security Experts Group (SEG), which supports SICA's Combating Crime Pillar. SEG members are coordinating their assistance programs in the areas of border management, land and maritime interdiction, and control of firearms.

The SEG met in Washington in November 2011 and in Mexico City in July 2012. Colombia will host the next SEG meeting in July 2013. USAID is supporting the SICA Prevention Pillar donor

group, led by Germany. Key U.S. partners in the region, who have proactively sought to align their programs with the U.S., include Canada, Colombia, the EU, Germany, the Inter-American Development Bank, Mexico, the UK, and the World Bank.

In a further effort to improve regional coordination, the separate security dialogues that Mexico, Canada, and the United States maintained with SICA were merged into one regional mechanism, the North America – SICA Security Dialogue (NASSD). The inaugural NASSD was held in Washington in April 2013, and included representatives from the SICA member states, the United States, Mexico, and Canada, with Colombia and the Dominican Republic observing. This initial NASSD, focusing discussion on the two pragmatic themes of best practices in crime and violence prevention and issues related to chemical precursors, aimed to strengthen regional cooperation and coordination to improve citizen security, avoid duplication of efforts to deliver measurable and effective results, and provide SICA and its international partners with an opportunity to collaborate on regional security projects.

While coordination among donors on citizen security issues has reached unprecedented levels, the effectiveness and momentum of SICA's management of the GOF process has been slow and called into question by several key donors. At the end of 2012, several donors, including Spain and Germany, indicated that while their support for SICA's institutional strengthening and prevention pillars, respectively, was progressing, SICA's management of donor engagement was floundering. At March 2013 GOF meetings in Washington, donors were frustrated over SICA's unwillingness to consider bilateral donor assistance as supporting the SICA strategy, and donor requested discussion on regional citizen security performance indicators was cancelled with no notice.

## **5.2. Donor community priorities in light of points 2 and 3 above**

### **5.2.1. Regional Priorities**

The United States priority for the region is to improve citizen security, as well as to increase the leadership role that Central American governments must play in this effort. Security, including resistance to organized crime, drug trafficking, corruption and violence, is the top priority for the region. The increased capacity and political will of national governments is essential to combat the security crisis in the region. An additional priority for donors is to provide assistance to address the growing precursor chemical challenge in the region and land border vulnerabilities to all forms of trafficking.

Many countries in the region have large amounts of seized precursor chemicals that they are unable to dispose of. Donor contributions in the future should aim to help build the capacity of partner nations to halt the flow of precursors and to safely seize, store and destroy illicit precursor chemicals that are detected.

### **5.2.2. Belize**

The United States enhanced Belize's efforts to disrupt and decrease the flow of narcotics, weapons, and illicit proceeds generated by sales of illegal drugs, and to confront gangs and criminal organizations in by providing equipment, training, and technical assistance. A large amount of assistance to Belize came through the Central America Regional Security Initiative (CARSI). The United States also continues to aid the Belizean Coast Guard, through maritime law enforcement training and professional development of officers and enlisted corps. Unfortunately, the Coast Guard was unable to maximize the utilization of donated equipment due to insufficient fuel and other operational resources.

The main threat in Belize continues to be drug trafficking organizations and the violence related to the drug trade in the region. More serious measures must be taken by Belize moving forward to ensure the security of its citizens and integrity of its borders. Assistance in Belize should be geared towards strengthening public and law enforcement institutions, enhancing the Belizean Coast Guard, strengthening border security, improving the efficiency of the criminal justice system, and providing funding to prosecutors and police departments nationwide.

While the AML Act enhances the Central Bank's control of domestic banks and financial institutions, Belize should determine how the act can be used to strengthen money laundering investigations and prosecutions. Belize should provide additional resources to effectively enforce AML regulations. Additionally, prosecutors and judges should receive additional training on financial crimes, including money laundering, to increase prosecutions. Belize should increase monitoring and control of the offshore financial sector and CFZs. It is widely believed there is illicit financial activity in both sectors, although no one has been charged with a financial crime. Belize should require the CFZs to be reporting entities. Belize also should become a party to the UN Convention against Corruption.

### **5.2.3. Costa Rica**

The United States cooperated on programs to enhance Costa Rican interdiction capabilities, disrupt and dismantle drug trafficking organizations, and improve citizen safety. Additionally, aid was given to promote a wide range of justice and security sector assistance initiatives in Costa Rica through CARSI.

Drug-related violence and organized crime presented the greatest security threats to Costa Rica in 2012. Porous borders also remain an issue and could become more acute with the completion of an alternate route into Nicaragua. Finally, various obstacles still exist that prevent Costa Rica from effectively investigating and prosecuting money laundering crimes. Costa Rica must make stronger efforts at reducing the crime rate, increasing border security, and minimizing the attractiveness of the country to drug traffickers. Training exercises, like those that have resulted in the creation of a Costa Rican Border Police through cooperation with United States Customs and Border Patrol should continue to receive aid and funding. Donors must coordinate resources in Costa Rica to help restructure police and judicial institutions, help train police and prosecutors in advanced investigative techniques, and enact additional laws targeting criminal organizations and their proceeds. Additionally, donors should focus on decreasing corruption in the country.

### **5.2.4. El Salvador**

United States assistance focuses on augmenting the operational capacity of law enforcement to interdict drug shipments, combat money laundering, fight public corruption, and improve upon the prison systems in the country.

El Salvador faces many challenges moving forward. Steps must be taken to ensure a continued capacity in confronting violence, crime, and drug trafficking. Salvadoran law enforcement lacked sufficient personnel, training, and equipment to effectively manage their land borders and interdict drug trafficking, particularly in the country's littoral waters. One donor priority in El Salvador should be on providing the means necessary for increased capacity for the PNC, particularly in community-based policing in gang infested neighborhoods. Another priority must be to aid in strengthening anti-corruption measures within the police, prisons, and judiciary. Finally, donors should continue to aid El Salvador in promoting citizen security, improving upon interdiction programs, and preventing money laundering.

### **5.2.5. Guatemala**

United States assistance focuses on institutional capacity building, drug research, and the implementation of evidenced-based programs, professionalizing the National Civil Police (PNC), and countering the drug trade. Despite additional United States assistance to Commissions against Addictions and Drug Trafficking (SECCATID), it remained vastly underfunded in 2012.

Guatemala's most pressing issues include high levels of violence, money laundering, organized criminal activities, police and government corruption, and an overburdened judicial system.

Guatemala should continue to move forward with key legislation that would aid in the fight against drug trafficking, violence, and money laundering. Donor assistance to Guatemala should focus on aiding the Government in the proper implementation of these pieces of legislation and on providing SECCATID with the funding needed to carry out its programs throughout the country.

Additionally, donors should aid in reforming the police to fight corruption and build capacity.

### **5.2.6. Honduras**

United States assistance to Honduras continues in the areas of law enforcement capacity building, justice sector capacity building, and citizen security. Assistance is often also geared towards building partnerships between governments, civil society, the private sector, and the international community.

Well-armed transnational criminal organizations continue to pose a threat to Honduras. Law enforcement institutions continue to struggle against such organizations operating in Honduras.

Donor assistance should focus on building capacity for law enforcement institutions in the country. Additionally, assistance should be geared towards building up justice sector capacity and towards enhancing citizen security.

### **5.2.7. Mexico**

United States assistance to Mexico has totaled over \$1.1 billion since 2008. Cooperation with Mexico on a number of fronts remains high. Most assistance is focused towards disrupting the capacity of organized criminal groups to operate, institutionalizing the capacity to sustain the rule of law, creating a 21<sup>st</sup> Century border, and building strong and more resilient communities.



The challenges Mexico faces in regards to drug trafficking, corruption, and citizen security, are formidable. Although significant progress has been made in dismantling and disrupting transnational criminal organizations in Mexico, there still remains work to be done. Donor countries must continue to support rule of law, anti-corruption, and institutional capacity building programs. This will likely require both funding and technical assistance. Assistance should also be given to improve drug demand reduction programs.

#### **5.2.8. Nicaragua**

The United States supports a wide range of efforts designed to address crime and violence affecting the security of Nicaraguan citizens. These include, but are not limited to, building the capacity of the Nicaraguan Navy, , and educating the public on narcotic drugs.

Nicaragua faces a number of challenges related to narcotic drugs, including corruption, judiciary independence, drug demand, and drug trafficking. First among donor country's concerns should be to improve Nicaragua's transparency to ensure funds are getting where they need to be. Once steps are taken to mitigate issues of transparency, donor coordination should focus on expanding drug demand reduction programs and on building capacity in the Nicaraguan Police, Navy, and Prosecutor General's office.

#### **5.2.9. Panama**

United States assistance is aimed at supporting citizen security, law enforcement, and rule of law programs through the Central America Regional Security Initiative. Specific efforts included improving Panama's ability to secure its own borders and strengthen law enforcement and judicial sector capacity. Aid was also given in an effort to expand capacity against transnational criminal organizations in Panama.

Panama remains one of the region's leaders in drug interdiction. Unfortunately, Panama faces reductions in government funding in 2013. Donors must help build the capacity of the Panama National Police, the Panamanian Navy, Panama's Anti-Money Laundering legal framework, the prosecutor's office and the judicial system. Additionally, donors should assist in creating a more transparent financial network so that money laundering will become more difficult within Panama's borders.