

**International Narcotics Control Strategy Report, 1998**  
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## **1998 International Narcotics Control Strategy Report**

### **PANAMA**

#### **I. Summary**

North America and other global markets is enhanced by its proximity to major drug-producing countries, location on key transportation routes, openness to trade, and weak controls along borders and coasts. Its dollar-based economy, Colon Free Zone (CFZ), and large, well established, and until recently, loosely regulated banking sector, make Panama attractive to money laundering. Panama's law enforcement agencies have maintained excellent relations with their U.S. counterparts. With USG support, during 1998, the Government of Panama (GOP) made significant improvements in its National Maritime Service (SNM-coast guard ) and National Air Service (SAN) enabling them to become effective partners in international efforts to intercept illicit drug shipments. Preliminary data show 1998 Panamanian interdiction efforts seized near-record amounts of illicit narcotics. The GOP has anti-money laundering mechanisms in place, but its ability to identify, investigate, and prosecute money laundering suffered from an inadequate legal framework. Talks on a full Maritime agreement remain stalled and negotiations to establish a Multinational Counternarcotics Center failed in September 1998. A party to the 1988 UN Drug Convention, Panama has its own 5-year (1996-2001) counternarcotics plan stressing prevention, treatment, and law enforcement. In late 1998, the GOP introduced a bill in the National Assembly to move the Technical Judicial Police (PTJ) from the control of the Attorney General to the Supreme Court. This proposal received strong criticism in the press and from attorneys. Given the judiciary's past susceptibility to political manipulation and threats, placing the PTJ under the courts could adversely affect the anti-drug effort, hopes for administration of justice reform and U.S.- PTJ cooperation.

#### **II. Status of Country**

Panama remained a major drug transit country because of its proximity to drug-producing nations and its still inadequate border, airport, and maritime controls. While it has become a consumer of illicit narcotics, Panama has not become a significant producer of drugs or precursor chemicals.

Panama's large and sophisticated banking and trading center, its U.S. dollar currency, and Colombia as a neighbor make it an attractive target for money laundering, including that connected to drug trafficking. However, there are no verifiable estimates on the total amount of money laundering, whether narcotics related or not, that takes place via banks, other financial institutions, real estate, or the CFZ.

#### **III. Country Actions Against Drugs in 1998**

**Policy Initiatives.** The GOP enacted a major banking reform to bring Panama into compliance with Basel Accord standards. The reform replaced the National Banking Commission with a Banking Superintendent. The new Superintendent has begun organizing the office, hiring and training staff, and drafting implementing regulations as well as issuing a strong reminder to the banks of their responsibilities under Panama's money laundering laws and regulations.

**Accomplishments.** Panama continued to implement its own national counternarcotics plan. "The National Drug Strategy - 1996-2001." The strategy, under the authority of the Attorney General, coordinates GOP and NGO work and stresses prevention, treatment, rehabilitation, reinsertion into the labor force, control of supply, and interdiction.

In August, Panama hosted the "Second Hemispheric Congress on the Prevention of Money Laundering," organized by the GOP's Financial Analysis Unit (UAF) and the Panama Banking Association. Attending officials and experts from Latin America, the U.S., and Europe gathered to focus on money laundering issues.

**Law Enforcement Efforts.** GOP agencies seized 11.771 metric tons of cocaine, 16.53 metric tons of marijuana and 22 kilograms of heroin in 1998. The Technical Judicial Police (PTJ) seized 75 percent of the total; the National Police (PNP), Customs (DGA), and SMN accounted for the rest. Cocaine seizures in 1998 surpassed record 1997 seizures. Heroin seizures decreased from 1997's level; crack seizures through September amounted to almost five times those in 1997. Marijuana seized in 1998 exceeded 1997's total of 14.1 metric tons.

Through October 1998, authorities arrested 1532 persons on drug charges (675 for possession, 857 for trafficking). While no arrests of major traffickers took place, 1998 saw a dramatic example of close U.S.-GOP cooperation; Panama expelled to the U.S. a major Colombian maritime narcotics smuggler, Jose Castrillon Henao, under arrest since 1996. The GOP and the U.S. also worked closely in a successful effort to disrupt a major international drug trafficking and money laundering organization based in Central America.

There are reports of drug labs and small-scale coca harvesting in remote areas of Darien province along the Colombian border, managed by armed men, perhaps Colombian paramilitaries or guerrillas of the FARC (Colombian Revolutionary Armed Forces).

Panama's Joint Information Coordination Center (JICC) continued effective cooperation with GOP and U.S. agencies, such as the El Paso Intelligence Center (EPIC).

Notable changes in leadership of the law enforcement establishment took place. The Director of the JICC was changed, as was the National Security Advisor. The GOP replaced the National Air Service (SAN) leadership when investigators found flawed maintenance procedures after the fatal crash of an INL-provided helicopter. SAN morale and effectiveness rose notably, allowing the service to assume a growing role in interdiction efforts as a result of this change. After the Minister of Government and Justice resigned in November, a new Minister, who is particularly interested in prison reform, took office.

In late 1998, the GOP introduced a bill in the National Assembly to move the Technical Judicial police (PTJ) from the control of the Attorney General to the Supreme Court. Given the judiciary's past susceptibility to political manipulation and threats, placing the PTJ under the courts could adversely affect the anti-drug effort. The GOP remains under strong domestic pressure to adopt major and long-needed economic reforms, maintain fiscally responsible policies, and respond to many urgent social needs. As a result, the GOP, remained dependent on other countries to provide critical law enforcement resources. This situation limits the ability of GOP agencies to participate as equal partners with foreign counterparts. The National Maritime Service (SMN) and the National Air Service (SAN), for example, suffered shortages of fuel and other basic supplies, and had difficulty keeping skilled personnel. In 1998, however, with U.S. support, the SMN obtained new ships, and headquarters and docking facilities on the Pacific coast. The U.S. and the GOP are cooperating to establish an Atlantic base for the SMN. The move of the PTJ to the Judiciary could complicate the traditional good working relations of USG and Panamanian law enforcement counternarcotics agencies. Although time will tell, the Judiciary's unprotected position makes them, and now the PTJ, susceptible to threats and manipulation from criminal and political sources.

Law 13 of 1994 established penalties for manufacturing and trafficking in precursor chemicals, but Panama lacks a comprehensive chemical control law or regulatory/enforcement infrastructure. Panama began development of a national chemical control program in 1998 with cooperative efforts between the PTJ, Customs, the Ministry of Health and the Colon Free Trade Zone. The PTJ is the lead agency conducting investigations, issuing and revoking chemical handling permits and tracking chemical shipments. However, there is much work ahead developing legislation, defining the roles of cooperating government agencies and controlling shipments of precursor chemicals without impeding legitimate trade in the Colon Free Zone.

**Corruption.** There were no reported cases of major law enforcement officials involved in drug-related corruption in 1998.

The GOP discourages the production and distribution of narcotic or psychotropic drugs or other controlled substances, and the laundering of proceeds from illegal drug transactions. There is no evidence that senior officials engaged in, encouraged, or facilitated the illicit production or distribution of drugs. The U.S. and Panamanian approaches to handling money-laundering cases differ considerably. Panamanian officials have sought to warn, perhaps unwittingly, Panamanian citizens and firms against involvement in potential money laundering transactions; the U.S., on the other hand, emphasizes building a prosecutable case against those involved in such transactions.

**Agreements and Treaties.** Panama 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. The GOP ratified a Mutual Legal Assistance Treaty (MLAT) with the U.S. in 1991, which went into effect in 1995. The GOP participates in CICAD, the Caribbean Financial Action Task Force (CFATF) and the Basel Committee's Offshore Group of Bank Supervisors (OGBS). In addition, Panama has bilateral agreements on drug trafficking with the United Kingdom, Colombia, Mexico, Cuba, and Peru; it has MLATS with the UK, Colombia, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Panama became the first Latin American country to join the Egmont Group in 1997, an alliance of some 30 nations with centralized financial analysis units to combat money laundering. As noted, Panamanian laws will need revision to allow the UAF to share information to develop money-laundering prosecutions.

In 1998, the USG signed letters of agreement to provide counternarcotics assistance training to the SAN. However, after an investigation of a fatal crash of an INL-provided helicopter revealed faulty maintenance procedures by the SAN, the USG and the GOP canceled an agreement whereby INL loaned the SAN six helicopters. The U.S. withdrew the damaged helicopter and the five surviving aircraft. The U.S. supported law enforcement training, language training for members of the UAF, and drug abuse prevention seminars by the Ministry of Education, among others.

The GOP and the USG announced in September the unsuccessful conclusion of negotiations for the establishment in Panama of a Multinational Counternarcotics Center (MCC). The two sides could not reach agreement on the parameters of the center, which would have involved a limited U.S. military presence for counternarcotics operations, disaster relief and humanitarian missions beyond the December 31, 1999 reversion of the canal and U.S. military properties in Panama. Negotiations for a Comprehensive Maritime Counternarcotics Agreement between the USG and the GOP concluded in 1997. As of the end of 1998, however, the GOP had still not signed the agreement.

**Cultivation and Production.** Preliminary information received late in 1998 indicated that limited coca cultivation in the Darien may have resumed. A joint eradication campaign in 1996 eliminated around 125 hectares of illicit coca cultivation in Darien. In September 1998, the SAN undertook an aerial eradication of 6.6 hectares of marijuana on San Miguel and Pedro Gonzalez islands.

**Drug Flow and Transit.** Panama is an important hub for the distribution of South American-origin cocaine. The drugs pass through Panamanian waters in fishing craft and "go-fast" boats and either continue on to other Central American countries or are dropped off in Panama. The shipments that get dropped off in Panama are repackaged and moved northward on the Pan-American Highway or depart in sea freight containers. Cocaine (and heroin, see below) is also moved to the U.S. and Europe by couriers transiting Panama by air, particularly to Spain, the Netherlands, Germany, and the United Kingdom.

Multi-kilogram (over 100 kilograms) cocaine shipments transit Panama destined for North America or Europe. As reported in prior years, however, about 20 percent of seizures consisted of drugs meant for Panamanian consumption. Cocaine traffickers often pay Panamanian employees in kind; much of this cocaine subsequently gets turned into crack or "bazuco" for sale to Kuna Indians and urban youth. Kuna leaders have expressed concern over the impact of the drug trade on their society.

Colombian-origin heroin continued to appear in significant quantities during 1998, indicating that South American drug organizations remain committed to increasing their share of the high-value heroin market.

**Domestic Programs** (Demand Reduction). The use of cocaine remained a major concern. Local studies show Panama with one of the highest levels of cocaine use in Central America. The Ministry of Education seeks to promote demand reduction through a five-year (1994-1999) plan which includes training for teachers, information programs, anti-drug abuse training for youth, school curriculum programs, an anti-smoking program, and support for the National Drug Information Center (CENAID). These efforts receive the support of the Ministry of Health's treatment and rehabilitation programs and those of the Catholic Church, Panamanian NGO "Cruz Blanca," the University of Panama, the "Panama Coalition for a Drug-Free Community," and the "Pride Foundation." The Office of the First Lady of Panama has had a particularly active role in furthering drug awareness among youth.

#### **IV. U.S. Policy Initiatives and Programs**

The U.S. provides equipment, training, and information to enhance the performance of GOP counternarcotics institutions. The USG seeks to strengthen Panama's judicial system, encouraging the enactment of more effective laws and regulations, and ensuring strict enforcement. U.S.AID has begun to develop a comprehensive Administration of Justice (AOJ) program to address critical flaws in the system of justice legislation.

**Bilateral Cooperation.** Panama appears politically committed to improving its counternarcotics performance as evidenced by continuing cooperation with the U.S. on major drug trafficking cases. Another example of excellent cooperation is the quick passage of legislation to allow expulsion of a foreign national resulting in being transferred to the U.S. to await trial on drug trafficking and money laundering charges. However they are less effective in suppression of money laundering. The GOP cooperates with U.S. requests to board and search Panamanian-flagged vessels suspected of drug smuggling. In 1998, U.S. and Panama carried out "Operation Conjuntos," a land and sea interdiction operation on Panama's Caribbean coast. The operation involved U.S. Coast Guard, U.S. Navy, U.S. Army, DEA, SMN, SAN, and PNP. The U.S. Immigration Service and U.S. Customs, with GOP counterparts and the PNP also executed a major interdiction operation along the Costa Rican border against alien and drug trafficking.

The USG has numerous programs with the GOP and supports many counternarcotics-related assistance projects. During 1998, the U.S. Coast Guard continued to work closely with the SMN, helping build it into an effective maritime interdiction force. During the year, U.S. Coast Guard and U.S. Navy elements worked closely with the SMN and the SAN in several high-speed chases of Colombian go-fast boats, resulting in seizures, arrests, and aborted drug runs.

The USG provided training, equipment, and other support to the PTJ, the JICC, the Office of the Drug Prosecutor, the National Banking Commission, the Bank Superintendent, Customs, Immigration, UAF, UIF, and the National Committee for Criminal Statistic Analysis (CONADEC). The U.S. ceased supporting the CFZ canine unit following changes in the Unit that lessened its effectiveness. The new CFZ administrator expressed an interest in revamping the unit and providing it additional resources.

The U.S. continued to help fund Ministry of Health drug prevention literature, as well as anti-drug seminars, workshops, and conferences by the Ministry of Education, Panama's Medical Association, the National Psychiatric Hospital, and CONAPRED. It also funded training and attendance at seminars for GOP officials. In June 1998 a State Department-funded U.S. Customs Regional Panama/Costa Rica Narcotics Interdiction Course was conducted in Volcan, which included 15 Panamanian participants representing Customs, Technical Judicial Police, Immigration and drug prosecutors. Panamanian Customs has attributed numerous land border seizures to this program. In addition, U.S. Customs presented six Air and Sea Carrier Initiative Program Seminars in Panama City in 1998, as well as security site surveys at Tocumen International airport. Sixteen Panamanian officials attended three International law Enforcement Academy (ILEA) South courses in Panama and Costa Rica in 1998. Six Panamanian officials participated in an OAS-funded Regional Port Security Seminar in September 1998.

Panama is one of seven countries participating in the U.S. Customs Americas Counter Smuggling Initiative (ACSI), designed to deter narcotics smuggling in commercial cargo shipments and conveyances by enhancing cooperative law enforcement and private sector security programs at manufacturing and export facilities. Customs ASCI teams were deployed to Panama twice in 1998.

**Road Ahead.** Fundamental reform of the judicial system remains a primary need to ensure efficient and fair processing of those accused of drug (and other) crimes and to free the courts from influence-peddling and manipulation. The placement of the PTJ under the courts will require special vigilance. A principal goal of the U.S. will be conclusion of the Comprehensive Maritime Counternarcotics agreed to in 1997. Within the understandable limits posed by the many demands on its budget, we must encourage the GOP to provide sufficient funds to law enforcement agencies to ensure they have adequate personnel, training, and equipment. The USG will work with the GOP to continue to implement and refine the banking reforms announced in 1998. A major goal will be to seek enactment of legislation that will extend the existing law against drug money laundering to include the proceeds from all serious crimes, and to permit the UAF to share information with counterparts.

[Panama Statistical Tables](#) [Excel file 23.5KB]

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