

International Narcotics Control Strategy Report, 1999
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PANAMA

I. Summary

The government of Panama (GOP) continues to demonstrate its willingness to combat transnational drug trafficking. The GOP seized significant amounts of illicit drugs in 1999, despite apparent changes in trafficking routes. The new Mireya Moscoso Administration has demonstrated its commitment to combat money laundering, corruption, drug trafficking, and other transnational crimes. Immediately after taking office, the new Administration set up an anti-corruption unit in the Ministry of Economy and Finance. Talks on a full maritime agreement moved forward. A draft agreement is under review by the Ministry of Foreign Affairs. Panama's law enforcement agencies continue to maintain excellent relations with their U.S. counterparts. Panama is a party to the 1988 UN Drug Convention.

Panama is a major transshipment point for illicit drugs smuggled from Colombia. Cocaine is stockpiled in Panama prior to being repackaged for passage to the U.S. and Europe. Panama's location, largely unpatrolled coastlines, advanced infrastructure, underdeveloped judicial system, and well-developed financial services sector make it a crossroads for transnational crime, such as drug trafficking, money laundering, illicit arms sales and alien smuggling. Panama's Canal, containerized seaports, the Pan-American Highway, an active international airport, and numerous uncontrolled airfields provide organized crime groups almost unlimited transportation options through the country.

Panama's international banking center, a long established tax haven, combined with the Colon Free Zone (CFZ) and a U.S. dollar-based economy render Panama vulnerable to money laundering. Panama hosted the "Third Hemispheric Congress on the Prevention of Money Laundering" in August 1999. The new Administration has expressed its interest in improving money-laundering controls and cooperating in these efforts with the U.S. and other countries in the region.

II. Status of Country

Panama continued to be a major drug transit country because of its proximity to the world's largest cocaine producer and because of its inadequate border, airport, and maritime controls. Domestic drug abuse continues to increase. Panama is not a significant producer of drugs or precursor chemicals. Panama's large and sophisticated banking and trading center, its dollar-based economy, and proximity to Colombia, 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 new Moscoso Administration has expressed interest in bolstering Panama's anti-money laundering measures (See Money Laundering Section). Panama is a member of the Caribbean Financial Action Task Force (CFATF).

III. Country Actions Against Drugs in 1999

Policy Initiatives. CONAPRED, Panama's national drug policy office, took a major step forward in 1999 through active efforts to establish a national chemical control policy. The initiative seeks to integrate government entities regulating chemical control with private sector businesses involved in the chemical industry and transportation of precursor chemicals.

Accomplishments. Panama continued to implement its own national counternarcotics plan, the "National Drug Strategy -1996-2001," through CONAPRED. This program, under the authority of the Attorney General, coordinates GOP and non-governmental organization (NGO) work and stresses prevention, treatment, rehabilitation, control of supply, and interdiction. Panama also made significant progress in implementing its comprehensive chemical control program. In August, Panama hosted the "Third Hemispheric Congress on the Prevention of Money Laundering," organized by the GOP's Financial Analysis Unit (UAF) and the Panama Banking Association. Officials and experts from Latin America, the U.S. and Europe gathered to focus on money laundering issues.

Law Enforcement Efforts. GOP agencies seized 2,576 kilograms (kgs) of cocaine, 1,558 kilos of marijuana, 46 kilos of heroin, 600 liters of acetic anhydride, and made 131 arrests for international drug-related offenses in 1999. Although 1999 cocaine seizures declined from record 1997-98 seizures, decreased seizures were due to changes in drug trafficking patterns rather than change in flow. Heroin seizures continued to increase, further establishing Panama as a principal link in the chain that funnels Colombian heroin to the U.S.

In January 1999, the National Assembly passed a law changing authority to designate and dismiss Technical Judicial Police (PTJ) executives from the Attorney General to the Supreme Court. The transfer led to confrontation between the two organizations that resulted in a serious deterioration in law enforcement cooperation to the extent that meaningful investigations, police work, and ultimately, successful prosecutions have been negatively affected. Nevertheless, U.S.-Panama bilateral cooperation with the PTJ's counternarcotics squad, which is co-housed with the Public Ministry's drug prosecutor, continues to be excellent.

The National Maritime Service (SMN) has been Panama's interdiction success story. In 1999, the SMN conducted operations resulting in seizures of 453 kilos of cocaine and over 600 liters of acetic anhydride. The SMN seized several go-fast boats that were subsequently provided by the Attorney General to be utilized as SMN patrol craft. The SMN has a strong working relationship with the National Air Service (SAN), the Panamanian National Police (PNP), the PTJ, and the drug prosecutor's office and with their USG counterparts. The key to the SMN's strength is its leadership, both within the institution and as a lead agency in counternarcotics operations and

seizures. SMN participation in high seas operations led to the seizure of 27 Mt. of cocaine from Panamanian flagged vessels outside of Panamanian territorial waters. The presence of U.S. Coast Guard (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 internal structural problems, the SAN conducted two cannabis eradication operations in coordination with the Attorney General's drug prosecutor's office and provided excellent logistical support for USCG air assets.

The Direccion de Fiscalia Aduanal (DFA), the Customs branch responsible for interdiction efforts at seaports and international airports, seized multi-kilo shipments along the Costa Rican border and at Tocumen international airport. During 1999, DFA personnel assigned to Tocumen successfully seized in excess of two million dollars in U.S. currency concealed within airfreight. DFA was also responsible for a number of heroin seizures and for increasing coordination and cooperation with the PTJ, leading to all-around better drug enforcement.

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. This year, with the assistance of the Inter-American Drug Abuse Control Commission (CICAD), Panama took significant steps toward developing a regulatory/enforcement infrastructure to control the use and shipment of precursor chemicals.

Asset Forfeiture. The Panamanian legal system provides for asset forfeiture, including a system for identifying and forfeiting narcotics-related assets. Forfeiture actions have supplemented the PTJ, the PNP and other GOP law enforcement agencies with numerous vehicles. Although Panama has not enacted a specific law that provides for sharing seized narcotics assets with other governments, the GOP shares assets with other countries on a case-by-case basis. Current negotiations between the United States Attorney's office and the office of Panama's Attorney General to permit asset sharing in the multi-million dollar Gonzalo Rodriguez Gacha case exemplify this cooperation.

Money Laundering. Although cooperation between the U.S. and Panama on money laundering improved with the new Administration, the pursuit of money laundering cases remains constrained by laws requiring prosecutors to present an unusually high burden of proof and to meet extremely difficult evidentiary standards. (See money laundering section).

Corruption. The Moscoso Administration took office in September 1999 with a publicly-stated commitment to integrity and transparency. A presidential decree established a National Anti-Corruption Office in the Ministry of Economy and Finance. In 2000, the anti-corruption office is expected to propose legislation to define ethical conduct by government employees and specific sanctions for those breaking the law.

The GOP pursues those who produce, distribute, or traffic in narcotics and/or other controlled substances. However, outdated procedures and corruption undermine Panama's judicial system. Lack of prosecutions coupled with relatively low pay for law enforcement officers and insufficient resources negatively affects police morale. 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 new president of the Supreme Court is committed to making the judicial system more effective and transparent.

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 and an extradition treaty are in force between the U.S. and Panama. The Panamanian constitution, does not permit the extradition of Panamanian nationals. In 1991, the USG and the GOP signed a maritime operations agreement, which included provisions for shipriders and USCG support and assistance to the SMN. The USG concluded a Customs Mutual Assistance Agreement (CMAA) with the GOP in 1999. The GOP participates in CICAD, the Caribbean Financial Action Task Force (CFATF), and the Basle Committees' Offshore Group of Bank Supervisors (OGBS). In addition, 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. In 1997, Panama became the first Latin American country to join the Egmont group, an alliance of some 30 nations with centralized financial analysis units to combat money laundering.

The GOP has not signed a US-Panama bilateral comprehensive maritime counternarcotics treaty, although a draft agreement is currently under review by the Ministry of Foreign Affairs.

Discussions with the new Administration on the text will continue in 2000.

Cultivation and Production. In 1996, the entire coca cultivation in the traditional growing areas of the eastern Darien region along the Colombian border was eradicated. Aerial reconnaissance confirms that the cultivators have not replanted any fields. The limited amounts of marijuana being cultivated supply the local market and are insufficient for export. The presence of significant quantities of Colombian heroin transiting Panama during 1999 indicates that South American drug organizations remain committed to increasing their share of the highly profitable heroin market.

Drug Flow and Transit. Panama is a key hub 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 and either continue on to other Central American countries or drop 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. There were reports of small, low-flying planes entering Panamanian airspace and dropping drug loads in remote, sparsely populated areas. Cocaine and heroin are also moved to the U.S. and Europe by couriers transiting Panama by commercial air flights.

Domestic Programs (Demand Reduction). Drug abuse continues to plague Panama, with use of cocaine and its derivatives reaching ever-higher levels. About 20 percent of seizures in 1999 consisted of drugs destined for Panamanian consumption. Several years ago, Colombian trafficking organizations began giving their Panamanian associates cocaine as payment rather than cash. In order for the Panamanian middlemen to convert the cocaine to cash, it had to be distributed locally. This change was the genesis of Panama's current cocaine/crack epidemic.

Crack or "bazuco" is sold to urban youth and Kuna Indians, whose home, the San Blas autonomous region, has emerged as a major drug airdrop center. Kuna leaders have expressed concern over the impact of the drug trade on their society. GOP officials fear that the increase of heroin trafficking will give rise to a serious heroin abuse problem.

Panama continued to vigorously implement CONAPRED's counternarcotics plan developed under the auspices of the Attorney General's National Drug Strategy. The demand reduction portion of the strategy stresses prevention, as well as treatment, rehabilitation and reinsertion of drug users into the labor force. The Ministry of Education and CONAPRED promote demand reduction through training for teachers, information programs, anti-drug abuse training for youth, school curriculum programs and support for the National Drug Information Center (CENAID). These efforts are integrated with the Ministry of Health's treatment and rehabilitation programs and those of the Catholic church, Panamanian NGO "Cruz Blanca (White Cross)," the University of Panama, the "Panama Coalition For A Drug- Free Community," and the "Pride Foundation." One weakness in GOP drug treatment programs is that there are no long-term rehabilitation programs outside of the major urban centers.

IV. U.S. Policy Initiatives and Programs

Program agreements between the U.S. and Panama provide crucial equipment, training, and information to enhance the performance of GOP counternarcotics institutions. The key objectives of these programs are to improve Panama's prosecutorial and investigative capabilities, strengthen Panama's judicial system, encourage the enactment of more effective laws and regulations covering counternarcotics, money laundering and corruption, and ensure strict enforcement of existing Panamanian laws. The U.S., through USAID and ICITAP, is assisting the GOP to develop a comprehensive Administration of Justice (AOJ) program to strengthen law enforcement and judicial institutions and procedures.

During 1999, the U.S. Coast Guard continued to work closely with the SMN, enhancing its effectiveness as a maritime interdiction force. In 1999, the U.S. provided the SMN with two 82-foot Point class Coast Guard patrol boats and helped the GOP to establish an SMN station on the Caribbean mouth of the Panama Canal. The U.S. has traditionally had an excellent relationship with Panamanian Customs and U.S. programs have provided Panamanian Customs with training and operational tools.

Other U.S. projects in 1999 supported the Ministry of Education's teacher training for demand reduction programs and joint counternarcotics operations between DEA, Customs and the Coast Guard and their Panamanian counterparts in PTJ, Customs, and the SMN. The USG provided training, equipment, and operational support to the PTJ, the PNP, CONAPRED, the Joint Intelligence Coordination Center (JICC), the office of the drug prosecutor, Customs and Immigration. The Embassy has also purchased an ion scanner machine for the use of Panama's law enforcement community and is working with the PTJ forensics laboratory to examine upgrading its equipment. The U.S. continued to fund and develop Panama's JICC, including upgrading software and training for the JICCs employees and providing precursor chemical control training.

Bilateral Cooperation. The new Administration has demonstrated its political will to increase joint counternarcotics efforts and strengthen national law enforcement institutions. The GOP cooperates with U.S. requests to board and search Panamanian-flagged vessels suspected of drug smuggling in international waters. In 1999, U.S. and Panama carried out four joint operations. The PTJ and the PNP, with support from the U.S. Immigration Service, U.S. Customs and DEA, executed three major joint interdiction operations along the Costa Rican border against alien smuggling and drug trafficking.

The Moscoso Administration requested U.S. assistance in developing Panama's law enforcement/national security strategy. The U.S. and Panama held the first bilateral meeting of the new Administration in November 1999 to address U.S. support for strategy development. The U.S. and Panama discussed an array of issues in the context of four working groups: society 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, alien smuggling, and money laundering. These meetings demonstrated the new Administration's determination to build successful law enforcement and justice institutions and enhance Bilateral Cooperation.

The GOP pursued major drug kingpins. Pierre Janeiro Barbe was implicated as the principal transporter/owner of over 5 mt of cocaine seized from two ships. Concluding a thirteen-month investigation in October 1999 by the Panama drug prosecutor's office, PTJ and DEA, the GOP executed arrest, search, and seizure warrants. While Barbe remains at large, he has been declared a fugitive from Panamanian justice and his assets have been seized.

The Panamanian drug prosecutor's office participated in a bilateral investigation to target a Panamanian export company involved in the seizure of 432 kgs of cocaine in June 1999 in New York and obtained evidence in the U.S. case for prosecution in Panama. The drug prosecutor authorized the initial arrest of individuals in Panama believed to be integral members of the cocaine distribution network.

Road Ahead. The Moscoso Administration has demonstrated willingness to build strong law enforcement institutions, combat money laundering, and ensure security of the canal. The GOP has repeatedly noted its interest in maintaining the security of the Darien region from infiltration by Colombian "narco-guerillas." The U.S. and Panama will continue to cooperate in these areas and strengthen joint counternarcotics efforts. Conclusion of a bilateral maritime agreement will greatly facilitate joint cooperation.

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 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 anti-corruption efforts and criminal justice reform. Panama's anti-money laundering efforts would be strengthened through implementation of banking reforms. A major goal will be to seek enactment of legislation to widen the existing

law against drug money laundering to include the proceeds from all serious crimes, and to permit the UAF to share information with domestic and international counterparts.

The USG will continue to work with the Ministries of Health and Education and NGOs to expand Panama's demand reduction program. While realizing that the GOP has budgetary limits, the USG will encourage the GOP to seek new sources of funds, such as those available through effective money laundering prosecutions and asset forfeiture, to provide sufficient resources to law enforcement agencies.

Panama Statistics
(1991-1999)

| | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|----------------------|------------|--------------|--------------|--------------|------------|--------------|------------|------------|------------|
| Coca | | | | | | | | | |
| Net Cultivation (ha) | | - | 0 | 0 | 0 | 10 | 10 | - | - |
| Eradication (ha) | - | - | 0 | 125 | 110 | 90 | 60 | - | - |
| Cultivation (ha) | | | 0 | 125 | 110 | 100 | 70 | - | - |
| Seizures | | | | | | | | | |
| Cocaine (mt) | 2.58 | 1.00 | 9.96 | 8.60 | 5.89 | 8.60 | 5.68 | 9.80 | 9.30 |
| Cannabis (mt) | 1.56 | 10.47 | 13.82 | 18.12 | 0.06 | 0.01 | 32.5 | 7.33 | 9.88 |
| Heroin (mt) | 0.046 | 0.022 | 0.033 | 0.010 | 0.030 | 0.007 | 0.013 | 0.001 | |
| Arrests/Detentions | | | | | | | | | |
| Nationals | - | 1,393 | 1,143 | 1,113 | 737 | 879 | 696 | 412 | 610 |
| Foreigners | 131 | 139 | 217 | 139 | 137 | 284 | 104 | 105 | 149 |
| <i>Total Arrests</i> | <i>131</i> | <i>1,532</i> | <i>1,360</i> | <i>1,252</i> | <i>874</i> | <i>1,163</i> | <i>800</i> | <i>517</i> | <i>759</i> |



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