

Despite commendable efforts by the Salinas administration to tackle endemic corruption with the Mexican police and judicial systems, including hundreds of dismissals and numerous prosecutions, the measures taken did not turn the tide. Anti-corruption actions, as well as efforts to build strong anti-drug institutions, were undermined by narco-influence (and money) and frequent personnel turnovers, especially in 1994.

The actions taken by newly-inaugurated President Ernesto Zedillo are encouraging. Zedillo stated publicly that narcotrafficking presented the single greatest threat to the national security of Mexico. Within a few weeks of taking office, he promulgated a sweeping judicial reform package, which was overwhelmingly approved by the Mexican Congress. The Zedillo administration has also pledged to pursue institutional reform of Mexican law enforcement agencies to counter official corruption and to strengthen legal controls over money laundering and precursor chemicals.

### **Panama**

Panama is a major money laundering center, a producer of coca leaf, and a transit point for cocaine destined for the United States.

For most of 1994, Panama was preoccupied by election year politics and the transition of administration from President Endara to President Perez Balladares. Nonetheless, there were significant policy and legislative initiatives on the counternarcotics front.

Two important counternarcotics achievements were enacted by the Endara administration before it left office: the establishment of cross-border currency controls and the passage of Law 13 which expanded the Government of Panama's (GOP) ability to investigate and prosecute narcotics-related crime.

Since taking office in September 1994, the administration of Perez Balladares acknowledged that narcotrafficking and narcotics-related money laundering threaten Panama's political and economic stability. In an effort to prevent abuse of incorporation laws, the new President issued a decree mandating attorneys to follow "know-your-customer" practices. He then established a special commission to develop money laundering controls. The resulting policy statement prescribed a number of far-reaching changes. For example, it criminalized drug-related money laundering, mandated suspicious transaction reporting, and extended cash transaction reporting obligations to non-financial institutions. Moreover, Panama's new controls include strengthening the regulatory authority of the National Banking Commission and developing a financial analysis center, an investigations unit, and a prosecutor's office to develop cases of financial crime.

Panama was generally successful in meeting the goals and objectives of the 1988 UN Convention and bilateral counternarcotics agreements with the United States. The GOP's aggressive eradication efforts continued, and interdiction operations showed a marked improvement. To combat money laundering and corruption, the administration of Perez Balladares moved rapidly on the policy front but was unable to begin implementation of controls before the end of the year. Several middle- and low-level officials were investigated for corruption and, in a few cases, dismissed. The GOP does not, as a matter of policy or practice, encourage or facilitate illicit narcotics distribution, corruption, or laundering of drug proceeds.

In 1994, Panama developed a framework on which it can wage a campaign against traffickers and money launderers. In 1995, the measure of the GOP's counternarcotics programs will be the degree to which it builds upon that framework by implementing controls, seizing assets, and prosecuting offenders.

### **Taiwan**

Changing drug trafficking patterns in East Asia have created a growing heroin trafficking problem in Taiwan. Domestic demand for heroin has risen sharply, and Taiwan has also emerged as an important center for the transshipment of heroin. Over the past three or four years, Taiwan authorities