

# Free trade zones and illicit gold flows in Latin America and the Caribbean



Please cite as: OECD (2022): *Free trade zones and illicit gold flows in Latin America and the Caribbean*, OECD Business and Finance Policy Papers, OECD Publishing, Paris, <https://doi.org/10.1787/7536db96-en>.

Free trade zones (FTZs) are vulnerable to illicit trade; despite many governments and zone operators taking steps to mitigate these vulnerabilities, they remain especially acute in trading operations of specific goods. One of these is gold. High-risk gold originating in Latin America and the Caribbean is often laundered within the region before advancing to destination markets. This report examines the risks and vulnerabilities linked to financial crimes in gold trade through FTZs, focusing on Colombia, Panama, and the Dominican Republic.



**Co-funded by  
the European Union**

© OECD 2022.

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the member countries of the OECD or those of the European Union.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Cover: © Fahroni / Getty Images.



# Foreword

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance) provides practical due diligence recommendations to assist companies in avoiding contributing to serious human rights, conflict and financial crimes through their mineral purchasing decisions and practices. This Guidance is for use by any company in the mineral supply chain potentially sourcing minerals or metals from conflict-affected and high-risk areas.

The 2021 OECD study on gold flows out of Venezuela raised the question of how big a role free trade zones (FTZ) might play in high-risk gold flows in Latin America and the Caribbean. In exploring that question, keeping as a backdrop the risks discussed in Annex II of the OECD Due Diligence Guidance, this paper focuses primarily on FTZs in three countries: Colombia, Panama, and the Dominican Republic, which have been identified, among others in the region, as key transit hubs for gold. Though the emphasis in this report is regional, its analysis has global implications and hence the findings should be considered by practitioners and policy makers well beyond the target countries.

This study was prepared based on qualitative research that included a literature review, desk-based research, and remote semi-structured interviews. Annex A summarises the 30 interviews undertaken over the course of the study. The scope of the study is focused on the role of FTZ in the illegal trade of gold, to support companies in their due diligence efforts in line with the recommendations of the OECD Due Diligence Guidance.

This paper was prepared by Dr. David Soud, with the support of Rohini Ralby, Dr. Ian M. Ralby, Lou Bock, and Zechariah Saderup, (I.R. Consilium), under the direction of Luca Maiotti, Louis Maréchal and Hannah Koep-Andrieu (OECD Centre for Responsible Business Conduct). Communications support was provided by Roxana Glavanov and Ariane Rota. This report also benefited from comments by John Grajales (Organization of American States); Julia Yansura (Global Financial Integrity); Germán Zarama (OECD); and Piotr Strykowski (OECD). Government representatives from Colombia, the Dominican Republic and Panama were invited to fact-check relevant sections of the report. The report was presented to the Working Party on Responsible Business Conduct for information.

# Table of contents

Foreword	3
Executive summary	6
1 The OECD Due Diligence Guidance and the OECD Code of Conduct for Clean Free Trade Zones	8
The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas	8
The OECD Code of Conduct for Clean Free Trade Zones	10
2 Introduction	13
Context	13
Free trade zones and vulnerabilities to illicit financial flows	14
3 Colombia	17
Aspects of illicit gold flows in Colombia	17
The free trade zone Regime in Colombia	20
Gold laundering and GBML in free zones	22
4 Panama	27
Aspects of illicit gold flows in Panama	27
The free trade zone Regime in Panama	29
Gold laundering and GBML in free zones	31
5 Dominican Republic	34
Aspects of gold flows in the Dominican Republic	34
The free trade zone in the Dominican Republic	35
Gold laundering and GBML in free zones	36
6 Widening the horizon	38
Central America and the Caribbean	38
Brazil	38
7 Recommendations	40
Targeted policy recommendations for Colombia, Panama, the Dominican Republic and countries in the region	42

Annex A. Interviews	44
Annex B. Colombia zone users and entries	45
References	47

## FIGURES

Figure 1. OECD Due Diligence Guidance 5-step framework	8
Figure 2. Due diligence responsibilities in mineral supply chains	9

## TABLES

Table 1. Exports of doré into Colombian FTZs by year	19
Table 2. Potential gold exports from Colombian FTZs	22
Table 3. Reporting of the formal gold trade between Colombia and Panama by year and USD value	28
Table 4. Gold imports and exports by form, Dominican FTZs	36
Table A A.1. Interviews conducted for this study	44
Table A B.1. Colombia zone users and entries by year	45

# Executive summary

Free trade zones (henceforth FTZs or “Zones”) are areas designated to serve as trade hubs creating jobs within, and attracting foreign investment to, their host countries. By providing a venue in which companies can operate with reduced tax and regulatory burdens and expedited import and export procedures, Zones function as economic accelerators. In expediting trade, they are often characterised by the relatively rapid, lightly regulated flow of large volumes of goods.

Since the 2010 publication of a seminal report by the Financial Action Task Force (FATF) on money laundering risks in FTZs, extensive research has been undertaken on the vulnerabilities of FTZs to illicit trade (FATF, 2010). Some of these risks are intrinsic to the purpose of FTZs: to serve as hubs expediting both trade and economic growth through tax incentives and accelerated import and export procedures. Others include insufficient safeguards against money laundering and the financing of terrorism, weak oversight by public authorities, and poor visibility on the movement of goods within FTZs. The global proliferation of FTZs, which now number well over 5 000, amplifies the challenges. Though many governments and Zone operators have taken steps to remedy these vulnerabilities, they remain especially acute in the case of illicit trade in goods that are not themselves illicit. One of these is gold.

The 2021 OECD study on gold flows out of Venezuela (OECD, 2021a) raised the question of how big a role FTZs might play in high-risk gold flows in Latin America and the Caribbean. In exploring that question, keeping as a backdrop the risks discussed in Annex II of the OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (“OECD Due Diligence Guidance” hereafter), this report focuses primarily on FTZs in three countries: Colombia, Panama, and the Dominican Republic, which have been identified, among others in the region, as key transit hubs for gold.

As the 2021 report on Venezuelan gold flows indicates, high-risk gold originating from Latin America and the Caribbean is often laundered within the region before advancing to destination markets. Here, the three target countries pose distinct challenges. Colombia is a significant gold producer with a complex history of criminal encroachment on the gold supply chain; it also hosts the most FTZs of any country in Latin America. Panama is a major transit hub for a range of commodities, including gold smuggled from other countries in the region. The Dominican Republic is both a gold producer and a transit hub for gold in a variety of forms, much of which passes through its FTZs.

In Colombia, illegally mined or smuggled gold is blended with legitimate production in a manner that makes due diligence challenging (OECD, 2017; 2018). As explored in Section 3, while exports leave through a number of channels, FTZs play a significant role. That role is complicated by the fact that entries of goods into FTZs are considered exports, though Colombian Customs has a significant presence in the FTZs. Research indicates that illicit gold moving through the FTZs is typically laundered prior to entry, often through short-lived trading companies and the falsification of documents. That does not, however, preclude various forms of fraud from taking place within the Zones. A particular challenge is the lack of data transparency on goods moving through FTZs: though Zone entries are visible in detail in trade data, company- and transaction-level information on what happens to the gold once it has entered the Zone is not made public. This opacity is a potential enabler of illicit activity.

Even as Panama takes measures to overcome its reputation as a secrecy jurisdiction – it recently ranked #18 globally in the Tax Justice Network's Financial Secrecy Index (TJN, 2021) – its FTZs remain a challenge for law enforcement. As outlined in Section 4, gold has been smuggled into Panama from Colombia and allegedly Venezuela as well as other regional jurisdictions, though smuggling is not the only way that illicit gold is reported to enter the country. While smaller FTZs pose some risks for illicit flows, the two main Zones linked with gold flows are Colón and Panamá Pacífico, with Colón playing the most pivotal role. The world's second-largest FTZ, the Colón zone has a long history as a hub for illicit trade and trade-based money laundering, and a number of gold-related cases over the years have involved actors operating there. Significantly, those cases involved not only gold bars but also, and sometimes predominantly, gold in the form of jewellery. Gold-based money laundering (GBML) operations have linked Colón with Colombia in particular; the persistence of the particular modality of GBML through jewellery is notable. There are also considerable gold flows between Panama and Miami as well as other destinations.

As explored in Section 5, the Dominican Republic has an extensive FTZ system that facilitates its role as a Caribbean trade hub. While that role is largely maritime and therefore less conducive to most gold flows, large quantities of gold – jewellery, scrap, doré, and bullion – pass through the country's FTZs, often as part of the sizeable Dominican jewellery industry. As noted in the report on Venezuelan gold flows, there have also been indications of gold being smuggled from Venezuela into the Dominican Republic, though it is not clear that such gold enters Dominican commerce. Gold laundering and GBML are known to take place in the Dominican Republic, largely through networks of pawnbrokers. The high volume of gold transiting FTZs and undergoing substantial transformations there, however, poses a risk in that it provides a potential venue for laundering illicit gold into the legitimate supply, especially in the forms of scrap and jewellery.

Beyond these three countries, other FTZs in the region, including in island jurisdictions, also carry potential risks for gold laundering and GBML.

The OECD Due Diligence Guidance, as well as the OECD Code of Conduct for Clean Free Trade Zones (OECD, 2019), can provide broad guidance for mitigating the risks posed by gold flows through FTZs as set out in this report. Specific countermeasures include:

- Providing Customs with unrestricted access to goods within FTZs, ensuring digital documentation and inventory control systems, and taking measures to deter cash transactions within Zones.
- Measures to address potential corruption among FTZ personnel as well as enforcement authorities should also be undertaken.
- In countries with known risks of gold laundering and GBML, at least some enforcement personnel should be trained and tasked to track shipments of precious metals, stones, and jewellery through FTZs as well as other points of import and export. The same should be done for due diligence officers in companies sourcing gold transiting through these areas.
- Furthermore, as illicit gold flows are by nature transnational, regional and even global co-ordination by law enforcement is critical. This may include Joint Customs Operations, Joint Investigative Teams, and co-ordination of complex investigations with the support of relevant international institutions, for example INTERPOL or WCO.
- Private sector stakeholders should consider enhanced due diligence when sourcing gold from companies operating in FTZs near gold-producing areas, or gold that is known to transit through these FTZs, especially when those companies have been operating for a relatively short time.

Like the report on Venezuelan gold flows, this study provides an analytical basis to understand the role of Zones, but it also raises questions. Further research into the role of FTZs in high-risk gold flows, both within Latin America and the Caribbean and beyond, as well as into the role of maritime shipments, would be a welcome addition to the continuing work on mitigating risk in the global gold supply chain and countering illicit trade.

# 1 The OECD Due Diligence Guidance and the OECD Code of Conduct for Clean Free Trade Zones

## The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

The OECD Due Diligence Guidance provides practical due diligence recommendations to assist companies in avoiding contributing to serious human rights, conflict and financial crimes through their mineral purchasing practices. This Guidance is for use by any company in the mineral supply chain potentially sourcing minerals or metals from conflict-affected and high-risk areas. The OECD Due Diligence Guidance is global in scope and applies to all mineral supply chains.

Figure 1. OECD Due Diligence Guidance 5-step framework

**1. Establish strong management systems**  
Adopt due-diligence policies and build internal capacity to implement them. Engage with suppliers and business partners. Develop internal controls and transparency over the mineral supply chain, collect data, and set up grievance mechanisms.

**3. Manage Risks**  
Report risk assessment findings to senior management and improve internal systems of control and oversight. Only disengage from suppliers associated with the most harmful impacts. In all other cases, take steps to increase leverage, either individually or collaboratively, to prevent or mitigate risks. Build internal and business-partner capacity.

**5. Communicate & report on due diligence**  
Publicly report on supply chain due diligence policies and practices including by publishing the supply chain risk assessment and management plan, with due regard to business confidentiality and other competitive concerns. Respond to stakeholder questions, concerns, and suggestions.



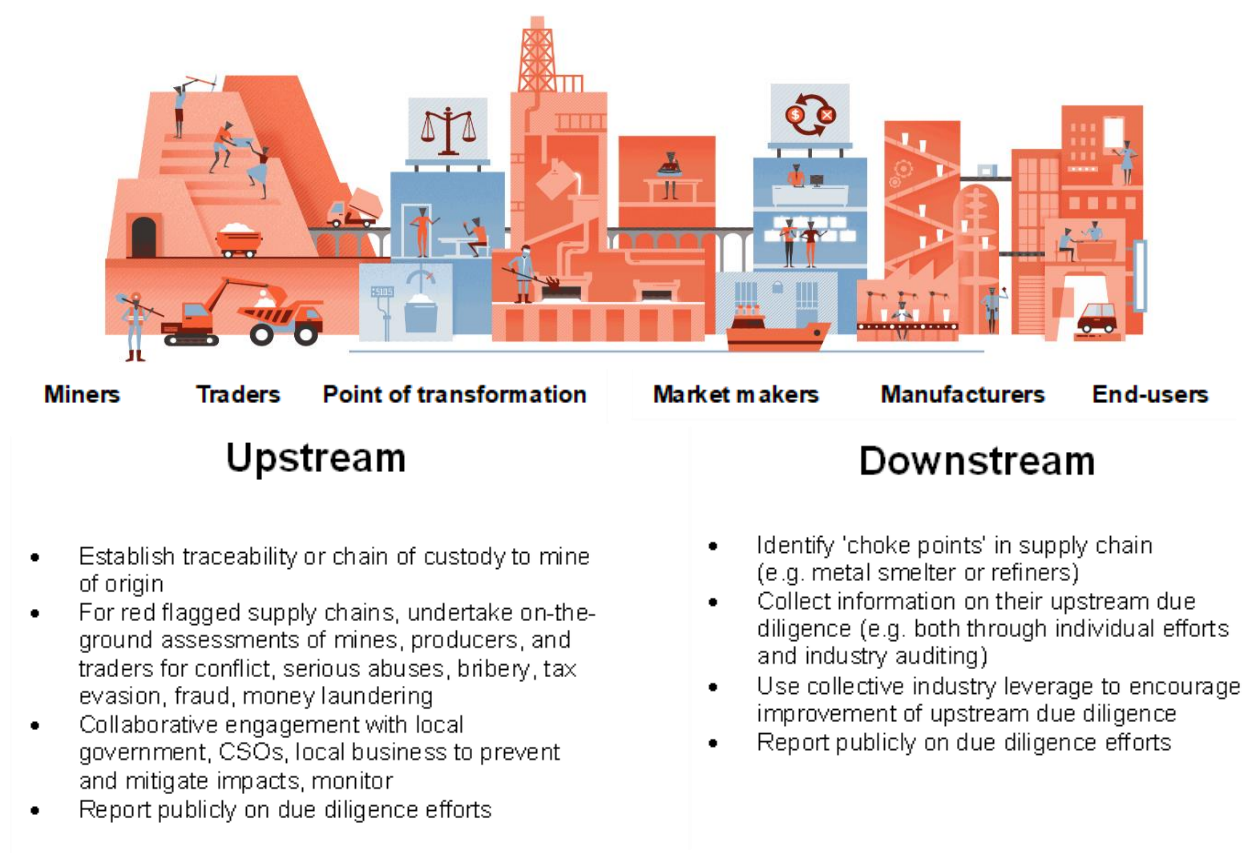
**2. Identify, assess, & prioritise tasks**  
Review information on the supply chain to identify any red flags that would trigger enhanced due diligence. Delve deeper and map the factual circumstances of the red-flagged operations, supply chains, and business partners. Prioritise risks as set out in Annex II of the Guidance.

**4. Audit control points**  
Carry out independent third-party audits to verify that due-diligence practices have been implemented properly at key "control points" (refiners and smelters for tin, tungsten, tantalum and gold, for example) in the supply chain. Auditors should gather findings and recommend specific improvements to existing processes.

Source: OECD, (2021b).



Figure 2. Due diligence responsibilities in mineral supply chains



Source: OECD, (2021b).

### Box 1. Risks in Annex II of the OECD Due Diligence Guidance

Annex II of the OECD Due Diligence Guidance provides a model supply chain policy for responsible supply chains of minerals, which companies commit to adopt and widely disseminate in order to minimise the risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas. The scope of risks in Annex II covers the following:

- **Serious abuses of human rights** associated with the extraction, transport or trade of minerals, such as, for example, worst forms of child labour, forced labour, forms of torture, cruel, inhuman and degrading treatment and widespread sexual violence.
- **Direct or indirect support to non-state armed groups, public or private security forces:** for example, in cases where such groups control mine sites or transportation routes or points where minerals are traded, or illicitly tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded. Regarding public or private security forces specifically, the OECD Due Diligence Guidance specifies that their role should be solely to maintain the rule of law, including safeguarding human rights and providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.

- **Bribery, corruption and fraudulent misrepresentation of the origin of minerals:** Bribery or fraud occurs when supply chain actors offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or any other improper advantage, for example to secure mine site concessions, to facilitate smuggling, or to fraudulently misrepresent the origin of minerals. Bribes can take the form of money or other pecuniary advantages (e.g. sub-contracting firms linked to public officials) or non-pecuniary advantages (e.g. favourable publicity). Corruption, the abuse of entrusted power for private gain, can take the form of grand corruption (when a public official causes the State or any of its people a loss greater than 100 times the annual minimum subsistence income of its people as a result of corruption offences) or petty corruption (everyday abuse of entrusted power by public officials in their interactions with citizens in places like mine sites, mineral transport routes, security checkpoints, trading houses, airports and ports).
- **Money laundering** is the process by which criminals disguise the illegal origin of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source.
- **Tax evasion.** Under the OECD Due Diligence Guidance, in addition to paying taxes, fees and royalties due to governments, companies are expected to disclose payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).

Source: OECD, 2016; Transparency International, OECD, 2021b;

More information on [the Guidance](#) and the [OECD Responsible Minerals Implementation Programme](#) can be found on the respective webpages.

## The OECD Code of Conduct for Clean Free Trade Zones

The OECD Council adopted on 21 October 2019 the Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [OECD/LEGAL/0454] (hereafter the “FTZ Recommendation”) which calls on Adhering countries to encourage FTZ to adopt a voluntary Code of Conduct for Clean Free Trade Zones that is set out in the Appendix to the Recommendation (hereafter the “OECD Code of Conduct”).

### **Code of Conduct for Clean Free Trade Zones**

Clean Free Trade Zones are those that:

1. Provide unconditional access to the competent authorities, in accordance with their domestic law, to carry out unobstructed, ex officio enforcement checks of operators in support of investigations of violations of applicable laws and regulations.
2. Notify the competent authorities in advance of any industrial, commercial or service activity taking place in the FTZ.
3. Prohibit operators and persons who do not provide the necessary assurance of compliance with the applicable customs provisions from carrying out an activity in the FTZ.
4. Ensure that economic operators active in the FTZ maintain detailed digital records of all shipments of goods entering and leaving the zone, as well as all goods and services produced within it, sufficient to know what is inside the zone at any given time. The digital records should:
  - Document sales and purchase operations of all goods and services entering and exiting the FTZ, and be provided to the competent authorities upon request.

- Maintain a complete and accurate record in accordance with domestic law of all commercial transactions to enable full accountability of materials used in production and assembling processes that may be reconciled with the volume and value of their commercial transactions. These records should be:
  - Maintained for a period of at least five years.
  - Made available in a timely manner to the competent authorities upon request.
  - Maintained in a format as required by the competent authorities, such that it can be used for risk profiling by the competent authority.
- 5. Transmit in a timely manner to the competent authorities the records and information requested in accordance with domestic law and required to be maintained by recordkeeping requirements.
- 6. Ensure that economic operators active in the FTZ are required to grant access to their detailed digital records upon request of the competent authorities in the jurisdiction where the zone is established.
- 7. Appoint a dedicated point of contact with the necessary skills and resources to respond effectively to such requests for information from the competent authorities.
- 8. Incentivise electronic payment for any commercial or financial transaction of the economic operators active in the FTZ occurring inside or originating from the FTZ, and ensure the traceability of cash transactions.
- 9. Participate in peer learning and dialogues with Adherents to resolve compliance challenges.





# 2 Introduction

## Context

As shown by a regional study conducted by the OECD in 2022, illegal mining is often linked to severe environmental destruction, violence and conflict, human rights abuses and organised crime, remaining an important challenge throughout Latin America, particularly in the Amazon region (OECD, 2022a). The resulting flows of illicit gold from several countries of origin move throughout Latin America, the Caribbean, and beyond.

The OECD report on gold flows from Venezuela (OECD, 2021a) reached two main conclusions: first, much of the high-risk gold from the Bolivarian Republic of Venezuela (hereafter “Venezuela”) is laundered within the Latin America and the Caribbean region, and second, Free Trade Zones (hereafter referred to as FTZs, or simply “Zones”) might play a significant role in some of the flows of high-risk gold, as well as its related illicit financial flows, in both countries of origin and transit countries. In that light, this is the first report to focus entirely on the role played by FTZs in high-risk gold flows. It focuses primarily on three countries identified as potentially facing gold-related risks in connection with FTZs: Colombia, Panama, and the Dominican Republic.

By focusing on those countries, this report endeavours to accomplish two goals. The first is to trace how illicit gold flows might interact with FTZs in the region – in other words, to see how those FTZs impact where gold goes and how it gets there. The second is to decipher how the regulatory and operational frameworks of those FTZs may make them vulnerable to gold-related illicit activities.

Like the previous report on gold flows from Venezuela, this study uses the OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance) as the main reference framework. Gold from Venezuela is not alone in being linked with risks listed in Annex II of the OECD Due Diligence Guidance; certain gold-producing areas in other regional countries pose similar risks. Among other criteria, the OECD Due Diligence Guidance expects companies to carry out enhanced due diligence when minerals originate in a country through which minerals from conflict-affected and high-risk areas are known or reasonably suspected to be transported. Participants in the global gold supply chain should gain as clear a sense as possible of the nature and scale of those risks, including the risks potentially posed by FTZs.

### Box 2. The main forms of gold in trade flows

Gold travels in various forms, and it is important to understand the differences among them.

Two of them, bullion and fine gold jewellery, are familiar to most people, though it is important to point out that the term “**bullion**” customarily refers not to any gold bar but to gold bars of monetary quality, of 99.5% or purity or higher. This is the most highly regulated form of gold.

Less familiar is gold **doré**, also known as doré bars. Doré consists of gold formed into bars after initial processing and prior to proper refining; it usually ranges from about 70-90% purity, though a doré bar could consist of far more silver than gold and still be called gold doré. Doré is perhaps the most prominent form of gold in illicit flows, as it is the form gold most often takes between mine and refinery.

Close behind it is **scrap** gold, which is gold that is no longer viable in the form in which it originally entered the market and is slated for melting and reprocessing by a refiner.

A final, less widely known form of gold is **concentrate**. Like doré, concentrate comes from initial processing, but it takes the form of a sandy substance, which is in fact a concentrated (hence the name) form of milled ore. The grade, or gold content, of ore coming out of a mine may be, for instance, 5 grammes per tonne (g/t); once milled or concentrated, that grade may increase tenfold, or in high-value concentrate close to a hundredfold. All these forms of gold can figure in illicit flows.

## Free trade zones and vulnerabilities to illicit financial flows

### *Free trade zone: definition*

There is no current consensus on the international legal framework or definition of an FTZ. As noted in OECD (2018b) “the considerable growth of FTZs in size and number demonstrates a pressing need to include them in a formal and codified manner in international agreements.”

In the broadest sense, FTZs are areas designated to serve as trade hubs creating jobs within, and attracting foreign investment to, their host countries. By providing a venue in which companies can operate with reduced tax and regulatory burdens and expedited import and export procedures, Zones function as economic accelerators.

More precisely, as described in the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [OECD/LEGAL/0454], FTZ “refers to an area designated by a country or jurisdiction, where goods that enter this area are not subject, or are subject to lower import or export duties than those that would apply if such goods were declared for release for free circulation, at the moment when they enter it. Facilities used for temporary storage or for the customs warehousing procedure are not deemed to be Free Trade Zones”. As such, FTZs are “designated areas that lie outside the Customs jurisdiction in the economies concerned and are not subject to Customs duties and taxes that would otherwise apply to imported merchandise” (OECD, 2018a).

The success of FTZs is evinced from how they have multiplied over recent decades. A 2019 UN Conference on Trade and Development (UNCTAD) study found that, since 1997, the estimated number of FTZs operating globally had increased from 845 in 93 countries to nearly 5 500 in 147 countries (UNCTAD, 2019).

That expansion, however, has come with an element of risk. One aspect of this risk is that FTZs can be construed as “outside the Customs jurisdiction” in so broad a manner as to significantly weaken law enforcement and regulatory oversight. In fact, Specific Annex D of the International Convention on the

simplification and harmonisation of Customs procedures (as amended) of the World Customs Organization (known as the Revised Kyoto Convention) defines a “free zone” more specifically as “a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory” (WCO, 2008). The qualifying phrase “insofar as import duties and taxes are concerned” is critical to ensuring appropriate controls over activities within FTZs, as it indicates that Customs should have jurisdiction in all other considerations. Yet many countries have not signed on to Specific Annex D. Furthermore, as indicated in a 2019 World Customs Organization paper, the “misinterpretation” of “extraterritoriality,” broadly applied to FTZs, has often led to restrictions on the authority of Customs in general within Zones (WCO, 2019). This tendency has allowed some FTZs to become enabling environments for illicit as well as legitimate trade.

### ***Vulnerabilities to illicit trade and illicit financial flows***

In 2010, the Financial Action Task Force (FATF) published a ground-breaking report on the vulnerability of FTZs to money laundering (FATF, 2010). It highlighted a series of what it termed “systemic weaknesses” in FTZs operations:

- Inadequate anti-money laundering (AML) and combating the financing of terrorism (CFT) safeguards
- Relaxed oversight by competent domestic authorities
- Weak procedures to inspect goods and register legal entities, including inadequate record-keeping and inadequate information technology systems
- Lack of adequate co-ordination and co-operation between zone and Customs authorities.

Since the release of that report, much has changed. Governments, intergovernmental organisations, and NGOs and other civil society organisations have conducted studies on the role of FTZs in various forms of illicit trade and other deleterious activities. All that work has contributed to a deepening understanding of the dynamics of illicit trade. Simultaneously, technological advances have allowed for more thorough, expeditious, transparent, and consistent operation of FTZs and co-ordination between relevant authorities.

Despite these developments, the problems of illicit trade and illicit financial flows in FTZs persist. This is partly because facilities established to expand and expedite trade will inevitably attract actors who seek to conceal their activities in an environment characterised by light-touch regulation and heavy traffic of goods. Also, as the World Customs Organization has indicated, a certain inertia tends to prevail, as authorities are slow, or even reluctant, to undertake the work of overhauling outdated FTZs regimes (WCO, 2020). Efforts are ongoing.

Colombia, Panama, and the Dominican Republic are, of course, very different countries with different legal frameworks, and the actual and potential vulnerabilities and risks linked to their FTZs can diverge. Further complicating the issue, no two FTZs are exactly alike; there are many different models, and each Zone is, by design, simultaneously a contained environment and a convergence hub for a wide range of activities and actors.

While taking into account those differences and complexities, this report presents its findings according to a rough template. Each of the sections dedicated to those three countries begins with a brief contextualisation of illicit gold flows in the country in question, then proceeds to an overview of the broad legal and regulatory regime by which that country’s FTZs operate. Where appropriate, as in the case of the Colón Free Zone in Panama, key Zones are singled out for more detailed exposition. A third section then addresses what the research indicates about the vulnerabilities of that country’s FTZs to two gold-related criminal activities: gold laundering (the deliberate obscuration of gold’s origin) and gold-based money laundering, or GBML (the use of gold as a mechanism for laundering the proceeds of predicate crimes). After a brief section widening the lens to touch on other countries of interest in the region, the

report concludes with due diligence recommendations on how to systematically mitigate some of the risks this research has identified.

This report is based on extensive research, including over 30 interviews and detailed open-source research, including over 100 cited documentary sources. Nonetheless, it remains only a starting point. As with its predecessor report on Venezuelan gold flows, its preliminary findings reveal areas in which improvements or further work is necessary, as set out in the concluding recommendations. It also opens novel investigative avenues that researchers are encouraged to take on for a better understanding of the illegal trade of gold.



# 3 Colombia

## Aspects of illicit gold flows in Colombia

Colombia is the third-largest gold producer in South America, with official production reaching an all-time high of 61 t in 2021 (World Gold Council, 2022). For decades, however, illicit exploitation of Colombian gold, and of other gold imported or smuggled into the country, has remained a vexing issue both domestically and across the global gold supply chain. Colombia is, of course, by no means alone in this situation, but it is the only one of the three countries this report focuses on to produce significant quantities of gold at small, medium, and large scales of mining. Since much, if not most, of the illicit activity in the Colombian gold supply chain occurs upstream from FTZs, it merits a brief review.

### **Production**

The Colombian gold market is significantly greyed. According to a UNODC report, in 2020 69% of alluvial gold exploitation that could be observed with remote sensing fell into the category of “illegal mining”, as these operations did not have the required technical and/or environmental permits nor were they in the process of formalisation. More than half of these were located in protected areas or areas excluded from mining (UNODC, 2021). Gold mined or otherwise exploited by criminal actors, especially organised criminal groups and unscrupulous traders, presents a serious challenge, particularly when it is laundered into the legitimate supply chain.

According to one industry source, gold laundering is so pervasive and difficult to counter in Colombia’s supply chain that the problem is not the ratio between legally and illegally sourced gold, but rather the fact that they are so often blended together (COL-com-m-062822, Annex A). Encroachment by organised criminal groups and non-state armed groups on the gold mining industry, which they exploit as a major revenue stream and money laundering instrument, is a significant problem. Another challenge, especially for industry actors, is conducting due diligence on small-scale miners that produce gold beyond the legal threshold set for subsistence miners and that may not comply with fiscal, environmental and social regulations.

The extensive exploitation of gold mining, both directly and indirectly, by organised criminal groups such as the Clan del Golfo and other armed groups like the National Liberation Army (ELN) and dissident groups of the Revolutionary Armed Forces of Colombia FARC-D is well-documented (OECD, 2021a; van Uhm, 2020). It arises partly from a lack of government presence in some of the main mining territories. One industry source, for instance, indicated that government underinvestment in the department of Chocó, a gold-rich area in the west of Colombia and bordering Panama, leaves its mining communities vulnerable to criminal exploitation (COL-com-b-032522, Annex A). According to one government source, small- and mid-scale mines routinely underreport their production by as much as 40% to account for the protection rackets (“*vacunas*”) enforced by criminal groups (COL-gov-b-032922, Annex A). The prominence of these dynamics, however, has perhaps obscured the roles played by other actors in the supply chain in Colombia. One recent study found that, of the seizures cases it surveyed, only 30% indicated any link to organised criminal groups (GFI, 2021). The commercialisation of gold in Colombia, generally downstream

in the supply chain from the observable activities of organised criminal groups, presents both gold laundering and GBML, as also outlined in OAS, 2022b.

Artisanal and small-scale gold mining (ASGM) is especially vulnerable to criminal encroachment. The supply chain for this gold generally flows from artisanal miners to local traders (*compraventas*), who buy from these miners as well as mid-scale mines, aggregate the gold, and sell it on to major traders in gold hubs like Medellin and Cali and those cities nearby FTZs. These major traders operate on the international market (OECD, 2017). At any of those junctures, the commingling of licit and illicit gold can take place.

Small miners are not simply exploited by armed groups; there are structural incentives for them to sell their own production on the black market for subsequent laundering. If there is little difference between the black market price and the legitimate market price for mine gold, a quick and easy black market deal may be much more appealing than a long trip and a long wait to close a legitimate sale. According to an industry source, the legal and regulatory measures imposed on the gold trade in Colombia over the past few years have led to significantly narrower differences between legitimate and black market prices. Furthermore, the legal limit of annual production by a subsistence miner, 420 g, is worth a few times more than the threshold at which a miner loses government social subsidies, incentivizing miners to declare production that allows them to keep their subsidies and selling the rest on the black market (COL-com-m-062822, Annex A). Those black market sales can re-enter the legitimate supply chain after being linked with the necessary paperwork.

Gold from large-scale mines in Colombia often follows a contractual “pipeline” from mine to refinery, but this does not mean immunity from gold laundering, not least because some illicit gold may penetrate the production stream of even large-scale mines. According to an industry source, one of the country’s larger mining operators decided to counter the encroachment on its title of illegal miners by subcontracting them to legally mine gold up to a certain depth, while only declaring as its own production gold sourced below that depth. Some of the subcontracting miners were allowed to sell their production independently, while others were contracted to sell their production to the industrial mining company. This is one way Venezuelan gold in particular is allegedly blended into the Colombian supply chain. Similar laundering reportedly occurs at mid-scale mines producing in the range of 30-40 kg per month (COL-com-h-060122, Annex A).

### **Trade and export**

International gold traders in Colombia have two main choices in pursuing tax advantages as exporters: they can apply to become either a *comercializadora internacional* (CI) or a Zone user. CIs are given tax breaks for enhancing exports from Colombia, while Zone users benefit from both tax exemptions and the accelerated movement of goods at scale that FTZs offer. Each designation involves additional administrative responsibilities vis-à-vis the government. According to industry sources, it has generally been true that the paperwork and other requirements of being a CI have exceeded those of being a Zone user, but that those demands have begun to even out over the past couple of years as FTZ controls have tightened. It is reportedly also easier to sell questionable gold to a CI than to a FTZ company, as a Zone entry includes, at least theoretically, a physical inspection by Customs (COL-com-m-062822, Annex A).

Though CIs and Zone users are generally regarded as elite businesses in that they have had to apply for and must work to maintain the status that accords them tax breaks, appearances can be deceiving. Even beyond prominent prosecutions of CIs and FTZ companies, informants have reported close collaboration in gold sourcing between organised crime groups and gold traders, and even of known criminals being allowed to establish trading companies (van Uhm, 2020). Furthermore, not all of Colombia’s gold exports leave the country via trading houses and FTZs. In some cases, gold leaves the country in the luggage of travelers; if their documents are in order, they are free to do so within the weight limits of their commercial carrier. There appears to be some confusion among Colombian authorities about the actual rules for such

“hand-carries” (USA-cso-c-041922, Annex A), which can at times blur the distinction between legitimate export and contraband.

Contraband gold has been a persistent issue in Colombian flows. Since at least as far back as the 1980s, Colombian organised criminal groups have smuggled gold into Colombia to launder the proceeds of narcotics trafficking and other criminal enterprises. In the earliest iterations of this practice, gold bars would be purchased abroad with narco-cash, often in Europe, and then smuggled into Colombia, where the gold could be either sold on the domestic market or exported (OECD, 2018b). As will be detailed elsewhere in this report, the money laundering cycle has often involved neighboring countries, especially Panama, where the Colón Free Zone has been cited as a prominent hub (GFI, 2021). In 2014, the Colombian National Directorate of Taxes and Customs (DIAN) estimated that around 50% of Colombia’s exports over the prior year might have been smuggled into the country for these purposes (OECD, 2017).

In the mid-2010s, amid a flurry of cases of gold laundering and GBML by prominent traders, the Colombian Government took a series of steps to disincentivise those crimes. New regulations ranged from creating a centralised registry for minerals traders (*Registro Unico de Comercializadoras Mineras*, or RUCOM) to restructuring the distribution of revenue from royalties to prevent their criminal exploitation. One consequence of those measures was that smuggling gold out of Colombia became more attractive for criminal groups – as one Colombian expert on organised crime pointed out – if gold smuggled abroad generates profits, it can’t be used to launder money within Colombia. At the same time, major CIs, including CI Giraldo & Duque and CI Ramirez (now Fundición Ramírez), migrated into FTZs, where it is alleged they began to take in gold from higher-risk suppliers (OECD, 2018b; Cárdenas, 2021). As a result of such moves, gold flows through FTZs surged: according to UN Comtrade data, between 2015 and 2016, exports of raw gold (Harmonised System Code 7 108) into Colombia’s FTZs spiked from just under USD 369 000 to USD 338 million. FTZs became key arteries in the country’s gold flows. After a dip in 2018, the increase resumed, and in 2021, reported exports of gold to the Zones reached USD 534 million, as shown in Table 1.

**Table 1. Exports of doré into Colombian FTZs by year**

Year	Value in USD	Quantity in Kg
2015	368 712.00	19
2016	338 056 810.00	9 752
2017	423 542 429.00	12 644
2018	192 040 871.00	5 628
2019	300 435 629.00	7 939
2020	544 271 146.00	11 241
2021	534 015 718.00	10 840

Notes: Colombia 7108 exports into zones by year.

Source: UN Comtrade.

A 2022 report by the Organization of American States (OAS) on gold and illicit financial flows in Colombia also interprets this trend as indicating that illicit gold flows have at least partly shifted since 2016 into FTZs (OAS, 2022b). It should be kept in mind, however, that many more gold traders in Colombia operate as CIs than as Zone users, and only a handful of Zone users dominate gold flows through the Zones. Data from Panjiva and SICEX confirm that the two most prolific Zone users by far are Fundición Ramírez in the Palmaseca FTZ (Cali) and Osprey Metals in the Rionegro FTZ (Medellín), with each of these companies processing in excess of USD 200 million worth of gold in 2021 alone, accounting for over 80% of Zone entries that year. The Panjiva and SICEX data on these and other Zone companies, along with their Zones of operation and imports from domestic suppliers, can be found in 7Annex B.

The Panjiva and SICEX data indicate that the striking rise in Osprey Metals' exports since 2019 appears partly to have resulted from the company's having continued and even expanded operations through the global pandemic; Fundación Ramírez evidently continued its operations as well. Some less prolific but still notable companies shown from the data to be operating in FTZs include Mitayos Zona Franca SAS and Click ZF SAS in the Valle de Aburrá FTZ as well as Sancus ZFS SAS, which appears to have moved its headquarters from the Santander FTZ in Bucaramanga to the Palermo FTZ in Barranquilla. It is important to note, however, that the volume of gold being moved by a given company should not be taken as necessarily indicating any malfeasance.

## The free trade zone Regime in Colombia

Colombia boasts more FTZs than any other country in South America, with over 120. They are divided into three types: permanent (multi-user), special permanent (single user), and transitory (event-based) (MinCIT, 2014). Gold moves through the permanent zones, which are the most prominent. The different FTZs are operated by different firms, each of which must conform to certain baseline processes and procedures, but beyond that can exercise a fair amount of discretion in operations as well as in the application process by which companies become Zone users.

To qualify as a Zone user, a company must, at a minimum, provide its name and business purpose, a business plan with feasibility studies, its domicile, its NIT (corporate tax number), proof of capital, and the identities of its board of directors and legal representatives, none of whom can have been convicted of a crime within the prior five years (DIAN, 2016). FTZs vary in the rigor with which they vet, or claim to vet, applicants; the operator of one Zone that has actually reduced its number of gold processing companies also demands the names of shareholders and three to four years of financials and retains a risk management firm to vet applicants (COL-com-f-052622, Annex A). Industrial users, defined as those that produce, assemble, or transform goods, receive the most tax benefits. All benefits are keyed to investment and job creation benchmarks (MinCIT, 2014).

Crucially, goods entering an FTZ are considered exports; that is, for the purposes of documentation and processing, they are no longer deemed to be within Colombian territory. The Zones are, in effect, foreign jurisdictions. This is why Colombia officially reports Zone entries as exports, and considers Zone entry forms export declarations. The movements of goods into, through, and out of FTZs is documented in Merchandise Movement Forms. With few variations, every Form must record the date, user, operation undertaken, description of the merchandise, weight, free-on-board (FOB) value in US Dollars, the destination country, and the means of transport (DIAN, 2016).

DIAN is mandated to have a physical presence in every FTZ, and is charged with taking an active role in monitoring operations. DIAN personnel are positioned to check shipments on entry and before exit, and are empowered also to perform random inspections; they also have complete visibility on inventory via the mandatory Free Zone Electronic Control System, or SIE (DIAN, 2016).

The process for a shipment of gold moving through a FTZ is, according to industry sources and Zone operators, consistent in principle if not always in practice. Shipments are physically inspected on entry into the Zone. Any movements within the Zone are to be documented on Merchandise Movement Forms. For goods to exit the Zone for shipment abroad, the shipper must notify both the Zone operator and DIAN days in advance. Once notified, DIAN will perform a physical inspection of the gold, including assay documents and weight; in some cases, the actual composition of the gold will be confirmed by DIAN. The certification of the shipment for export must be physically hand-signed. The exports are then sealed, if possible, and entered into the Free Zone Electronic Control System. On the scheduled day, Zone operator personnel perform a document check before the shipment leaves the Zone in bonded transport. At the port of departure – usually an airport, as the dominant form of gold exported from Colombian FTZs is doré – DIAN perform a final physical inspection (COL-com-f-052622, Annex A). Another industry source reported that,



at the airport, DIAN personnel customarily check the seals on the shipment, the seal numbers, the weight, and the integrity of the packaging (COL-com-h-060122, Annex A). Since 2016, a rule targeting precious metals, stones, and jewellery traders not only requires the pre-export physical inspection but also bars the export of any gold from a Customs area different from that of the Zone into which the gold was entered (DIAN, 2016).

In 2021, in an effort to incentivise further innovation and growth, the Colombian Government passed laws relaxing some rules in an effort to move toward what has been called “Free Zone 4.0.” Zones are easier to establish, the requirements for users have been reduced, and Zone users are now allowed to use e-commerce platforms to expedite shipments (Portafolio, 2021). Even with this regulatory relaxation, the actual procedure of moving gold through an FTZ, at least on paper, is quite rigorous. Yet it is not foolproof.

The current system in the FTZs, for all its checks, still cannot verify the origin of gold. Any laundering prior to arrival at a Zone is, in effect, rendered immune to scrutiny. Inspections on entry have been questioned; one source described a “cloudiness” to some Zone entries, with more gold physically going in than is officially reported (COL-cso-f-051722, Annex A). Further, technological innovation has not obviated the need for in situ inspection of inventories. As one DIAN official framed it, if a company is careful to ensure that the amount of gold in its warehouse matches what is in the paperwork during a given inspection, whether or not the gold has been substantially changed, any manipulation will be very difficult to catch (COL-gov-b-032922, Annex A). Finally, as in any such arrangement, key law enforcement supervisory personnel are at risk to be induced or coerced into enabling illicit gold flows.

Larger issues also can impact flows through Zones in unexpected ways. One instance of this is the broader reforms initiated to combat money laundering and the financing of terrorism in Colombia. Prior to 2021, dealers in precious metals were not considered reporting institutions; now they must report suspicious transactions to the Financial Intelligence Unit – if their annual income exceeds the equivalent of USD 700 000, or if they operate as a natural person rather than a corporate entity (Gafilat, 2022). Those two loopholes leave room for exploitation by unscrupulous traders willing to operate through individuals or to divide their business among multiple entities.

A further contextual question involves foreign investment. Though the department of Santander, near the border of Venezuela, has not historically produced significant quantities of gold, some gold-related companies operate in the Santander FTZ in Bucaramanga. A major new project in the area, the Soto Norte mine, is anticipated to produce approximately 12.4 t of gold per year over a projected 20-year lifespan (Cision, 2022; Ruiz, 2021). Soto Norte was bought by Mubadala Investment Company, the state-owned Emirati holding company, as part of its investment in the array of distressed properties sold off by Brazilian investor Eike Batista in the wake of the Lava Jato scandal, and Canadian firm Aris Gold has taken a 20% stake in the mine to operate it (Schmidt, 2015; Cision, 2022). Furthermore, representatives from the Dubai Multi Commodities Center (DMCC) visited the Santander FTZ in early 2022 to negotiate a partnership for, among other matters, sustainable exports from metalworking operations to the Middle East and North Africa (Vanguardia, 2022). While those developments hold economic promise, they also will create an influx of domestically mined gold into an area not far from the Venezuelan border and the gold trafficking hub of Cúcuta (OECD, 2021a). There is a risk that this localised increase in production and trade could provide cover for illicit gold flows, as well as opportunities for laundering, which in turn creates need for heightened scrutiny of the Santander FTZ as a point of export.

One particular vulnerability, however, remains unaddressed: the lack of data transparency in relation to goods within FTZs. While data on Zone entries are publicly available, such that one can identify the suppliers and shipments going into the FTZs, once goods enter FTZs this transparency ends. Data on the movement of goods within and among FTZs, and from FTZs out of the country, are reported within the government, especially the National Administrative Department of Statistics (DANE), but are not made publicly available in usable form. DANE publishes the data on FTZ movements inconsistently, and the data are always anonymised. According to DANE, the accessibility and transparency of its data are

circumscribed by Article 75 of Decree 1 633 of 1960 and Article 5 of Law 79 of 1993; the former establishes the use of the data as solely statistical, and the latter expressly prohibits that data from being shared with any other entity except in summary form (DANE, 2022). Given that these data involve the commercialisation of a large amount of Colombia's extractive wealth, it would be beneficial to have them available, in detail, with due regards to business confidentiality and other competitive concerns.

To gain some tentative visibility on DANE's data regarding exports of gold from FTZs, one can download a tranche and sort it according to unit price, as kilograms. An example from the month of March 2021 produces an identifiable band of shipments that approximate the possible costs per kilogram of doré for export:

**Table 2. Potential gold exports from Colombian FTZs**

Anonymised Zone User	Anonymised FTZ	Net weight (kg)	Value in USD	Destination Country	Price per kg (USD)
1174	920	10.995	641 147	UAE	58 312.58
1162	954	5.04	291 392	UAE	57 815.83
1162	954	7	404 600	UAE	57 800.00
1174	920	8.71	477 500	UAE	54 822.08
1037	631	19.55	1 055 970	SPAIN	54 013.81
1090	621	16.31	849 892	USA	52 108.64
1108	917	89.28	4 634 161	USA	51 905.93
377	917	12.18	628 667	USA	51 614.67
1108	917	88.45	4 537 217	USA	51 296.97
293	913	69.17	3 522 383	INDIA	50 923.56
293	913	64.26	3 267 669	INDIA	50 850.75
293	913	69.48	3 515 120	INDIA	50 591.83
293	913	34.7	1 753 054	INDIA	50 520.28
293	913	36.06	1 809 749	INDIA	50 187.16
1108	917	99.05	4 932 904	USA	49 802.16
1108	917	74.14	3 669 118	USA	49 489.05
293	913	61.39	3 026 808	INDIA	49 304.57
293	913	81.15	3 961 674	INDIA	48 819.15
1108	917	56.53	2 757 027	USA	48 771.04
1090	621	15.12	717 787	USA	47 472.66
1090	621	19	896 320	USA	47 174.73

Source: DANE.

The results suggest that the vast majority of gold exports out of Colombia's FTZs are going to two destination countries: the United States and India. This would be consistent with the data from those countries, as available on the platforms Panjiva and SICEX, that suggest large quantities of imports from the two top FTZ exporters noted above: Fundicion Ramirez and Osprey Metals. Data from Panjiva and SICEX indicate that Fundicion Ramirez exports large quantities to Kundan refinery in India, while Osprey Metals exports a great deal of gold to the United States.

## Gold laundering and GBML in free zones

According to a well-placed industry source, there are essentially three ways to move gold of questionable origin in Colombia. The first way is to open a CI, collect gold from a range of sources without sufficient due

diligence, melt it, and export it to a foreign FTZ where few questions will be asked. This is effectively laundering the gold oneself. The second is to purchase pre-laundered gold and operate through a FTZ, which is now more difficult as there are “a lot of filters.” The last is to dispense with laundering the gold and operate entirely outside the formal market. In Cúcuta, for instance, there are reportedly ready buyers supplied twice a week with U.S. dollars who offer a premium, no questions asked (COL-com-e-050922, Annex A). This latter activity clearly indicates GBML; gold purchased on the black market with the cash proceeds of other crimes can be sold on the legitimate market, laundering large sums in short order. Gold might also be smuggled from Colombia into Venezuela, for use as informal currency or for laundering through other jurisdictions in the region. Given that Cúcuta is a known hub for the sale of gold smuggled out of Venezuela (OECD, 2021a), the involvement in these transactions of non-state armed groups, organised criminal groups, and politically exposed persons cannot be ruled out.

### ***Vulnerabilities to gold laundering***

Gold laundering has a significant history in Colombia’s FTZs. As one analyst framed the issue, for years the FTZs were “a black hole,” with few controls, and gold from other countries was blended into what passed through them (Cárdenas, 2021). The above-mentioned migration of CIs into FTZs accompanied this trend. In some ways, the situation has not changed. As recent reporting has indicated, the tax exemptions for companies moving commodities into and out of Zones mean that authorities charged with monitoring that activity have had to operate without some of the most useful documentation for gathering key details about companies, shipments and transactions (Connectas, 2021).

Those activities culminated in 2019 with the case against CI J Gutierrez, or Fundición Gutierrez, which was the country’s largest gold exporter while operating in the Rionegro Free Zone of Medellín. In April of that year, authorities arrested the owners of the company and several others in relation to allegations relating to the laundering of approximately 29 t of gold through what an official at the Fiscalía (the Office of the Attorney General) called a “carousel” of false suppliers (Rendon, 2019). The Fiscalía identified five specific alleged modalities of gold laundering (Fiscalía, 2019):

1. The citation of fictitious natural persons as suppliers
2. Fictitious transactions with real entities that did not, in fact, do business with the company
3. The citation of exclusive suppliers who did not actually exist
4. Sourcing from suppliers with prior prosecutions
5. Transactions with suppliers who had insufficient capital to accommodate the trade.

In early 2022, a judge dismissed the charges against CI J Gutierrez, citing primarily a lack of clarity on the prosecution’s part over how to distinguish what was allegedly illegal from what was legal in the company’s gold flows (González Gaitan, 2022).

Although nothing has been proven, the Fiscalía’s list covers a good portion of the gold laundering techniques that have been widely used in Colombia. They are the same methods found in the seminal Goldex case in 2015, in which that trading firm, then the second-largest in Colombia, was accused by the Fiscalía of having sourced its gold from an array of companies that generally only existed for at most three years and whose listed office addresses were often found to be incompatible with their claimed operations, or from individuals who were unaware of their status as suppliers, or were even deceased. Gold whose origins were falsified found its way to the refiners Republic Metals in Florida and Metalor Technologies USA in Massachusetts (Bargent and Norby, 2015).

As evinced in the Goldex case, many small- to medium-scale Colombian gold trading firms have short life cycles. According to industry sources, this phenomenon is a feature of the gold supply chain, not a bug. It allows industry players to reinvent themselves, leaving relatively short document trails. A 2021 investigation by journalists with El País and Connectas detailed a number of such companies that, in some

cases, appear to have been established only as fleeting mechanisms for questionable gold flows, and then quickly closed down to evade scrutiny (Connectas, 2021). According to one analyst, 80% of CI gold traders are less than two years old (COL-cso-h-062822, Annex A). As one industry player put it, “You can always start a new company” (COL-com-m-062822, Annex A). Given this evidence, companies sourcing gold from Colombia might consider undertaking enhanced due diligence, as set out in the OECD Due Diligence Guidance, when dealing with exporters that have been in business for less than three to five years.

The passage of Law 2 250 in July 2022, which is intended to accelerate formalisation and increase regulatory rigor in the Colombian mining sector, goes some way toward countering this use of transient companies. In an effort to counter gold laundering and, to a lesser extent, GBML, the law places new requirements on gold traders. They must now demonstrate technical capacity commensurate with their trading, exercise due diligence on their suppliers, submit annual reporting on that due diligence, and ensure that any substantial transformation in metal they trade is performed in a suitably registered facility (Congreso de la República de Colombia, 2022). These are all salutary regulations, assuming they are adequately enforced. Of particular note are the attention to companies’ actual capacity and the due diligence requirements, both of which promise to make it more difficult to launder gold via transient supply chains with short-lived trading firms. Furthermore, Colombia’s recently introduced beneficial ownership requirements, which stipulate that beneficial owners must be natural persons and not companies, and which are enforceable through sanctions, may mitigate the risks linked with short-lived companies (Low, 2022).

Criminal actors in the gold supply chain do not just make use of temporary vehicles; they also form networks of companies to camouflage concerted illicit activities. In 2018, a scheme operating through FTZs was found to have sold illegally mined gold – an estimated 1.4 t between 2014 and 2017 – to buyers in India, Dubai, and the United States via the Palmaseca and Pacífico FTZs linked with the Alfonso Bonilla Aragón airport near Cali. The network involved at least five companies as well as other businesses and seven different bank accounts (Gonzalez Escandon, 2018). Such clusters of companies also have a history: in 2015, for instance, a formal complaint lodged by a Colombian senator against the subsequently investigated trader Giraldo & Duque noted that several companies whose boards shared members were operating cohesively as a business group without disclosing those practices (El Espectador, 2015). A recent study of gold supply chains alleged that even many registered miners and companies that appear to operate independently are in fact networked under major trading firms that purchase small quantities of gold from small- and mid-scale mines and miners, specifically to be mixed with gold smuggled from abroad or otherwise illegally sourced (Betancur, 2020).

Another way in which clusters of companies might present red flags for due diligence is the frequency with which multiple companies share one physical address. In some cases, the addresses appear to be the equivalent, occasionally fictive, of a corporate service provider engaged with many companies – mailbox companies without real mailboxes (Connectas, 2021).

Sometimes, however, these addresses overlap with those of customs brokers, which in such cases appear to provide services beyond the facilitation of imports and exports. While this can simply be efficient business practice, one consequence is the obscuration of the physical premises of the gold traders. That, in turn, may indicate greater risk that attaches to the customs brokers. As key facilitators in gold imports and exports, with expertise in customs processes and procedures that could be turned to illicit ends, customs brokers require distinct scrutiny. They form a specialised class of operators who know the system thoroughly, and who may well have personal relationships with Customs officials and other authorities. This creates a moral hazard, as the brokers could be ideally positioned to facilitate Customs fraud, bribery, and other mechanisms for the movement of illicit goods. Such a scenario reportedly unfolded in the illicit gold flows that gave rise to the NTR case of 2018, in which a Peruvian customs broker allegedly used his skills and connections to facilitate the criminal enterprise of Peter Ferrari (Weaver, Nehamas, Wyss, and Gurney, 2021).



Most recently, the 2021 arrest in Cali of Said Kamle, dubbed the “lord of illegal gold,” involved gold laundering through FTZs. The arrest was linked with the large, highly publicised NTR Metals case in the United States, amply documented by the *Miami Herald* and the 2021 book *Dirty Gold*. Kamle worked through NTR Metals Zona Franca SAS, which was in the Palmira FTZs. Kamle owned 25% of the company, and NTR Metals South America LLC, a subsidiary of Elemetal of Texas, owned the remaining 75%. The operation used fake miners and transient suppliers to launder an estimated USD150 million worth of gold, which was exported to the United States, the Russian Federation (hereafter “Russia”), the Republic of Türkiye (hereafter “Türkiye”), and Dubai (Cárdenas, 2021). Later that same year, 20 arrests were made in a yet another operation that had moved an estimated 8 t of illegally sourced and laundered gold through an FTZ between 2015 and 2021 (Semana, 2021).

### ***Vulnerabilities to gold-based money laundering***

One aspect of the NTR Metals Zona Franca SAS case involved not gold laundering but GBML. Around 20% of the transactions by which this enterprise moved USD150 million involved “phantom gold” – that is, gold that existed only on paper, not physically (Cárdenas, 2021). Phantom gold is a classic method for laundering ill-gotten gains. The creation of a convincing chain of invoices and other documents creates the illusion of a gold transaction, which in turn can allow for the concentrated laundering of millions of dollars in illicit profits, such as cash proceeds from narcotics trafficking.

GBML has also historically involved the use of gold smuggled from abroad. In this case, the money laundering often involves the direct purchase of gold outside Colombia with the proceeds of predicate crimes, followed by a recovery of that money once the smuggled gold is sold domestically or via export.

This practice is known to involve fraud that goes beyond ordinary misinvoicing; criminals also alter the actual composition of the gold being sold. A Venezuelan source reports that doré smuggled into Colombia is routinely “stretched” by being cut with silver, and subsequently marketed as higher purity than it is (VEN-cso-b-040822, Annex A). According to the former director of DIAN, the Clan del Golfo are known to purchase kilo bars of bullion in Europe, smuggle them into Colombia, blend the gold with other metals, and sell it through front companies, adding a fraudulent profit to the process of GBML. In some cases, the adulterated gold is cast into jewellery to discourage any assaying that might detect the fraud (El Herald, 2021). At the extreme, bars of tungsten, which closely approximates gold in weight, are coated with gold and recirculated through the market to occasion multiple transactions that launder narcotics proceeds; this is hard to detect because the process of properly assaying the bars is both expensive and difficult to manage for DIAN (Connectas, 2021).

According to a DIAN source, FTZs are vulnerable to these forms of GBML, stating that companies operating in Zones have been known to create fictitious exports, and to misinvoice export shipments. They may even falsify Zone entries to create the impression that gold has been processed to higher purity in the Zone when in fact it has not, paving the way for overinvoicing (COL-gov-h-052322, Annex A). If detailed data on exports from FTZs, at the level of companies and individual transactions, were publicly available, it might be possible to parse out at least some discrepancies between Zone entries and reported exports, and flag suspicious transactions. Without that data, any such activity is undetectable.

What emerges from the evidence is not so much that Colombian FTZs pose a particular risk for gold laundering and GBML as that companies based in FTZs use the same laundering techniques that have proved successful elsewhere, albeit with an added layer of relative anonymity. This is because much of the illegality is orchestrated prior to the entry of gold into Zones. As evident in the examples above, this can occur with the collusion, or even at the direction, of persons with significant control of the Zone companies. DIAN also has its critics; one industry source remarked that “today, banks ask more questions than Customs” (COL-com-n-070322, Annex A). Clearly, though, the laundering methods work well enough, often enough, that the risk-reward calculus of their perpetrators remains essentially unaltered. As one

Colombian security expert noted, “The model remains the same: make the gold legal” (COL-com-a-030422, Annex A).

# 4 Panama

## Aspects of illicit gold flows in Panama

In the spring of 2022, Colombia's gold market suffered an unexpected shock, as the domestic gold supply abruptly and sharply contracted; one industry operator put the reduction at 40%, another more concretely at 1.5 t per month (COL-com-l-062822, COL-com-g-060122, Annex A). Both those sources heard reports that gold was being diverted at the mines for smuggling into Venezuela and Panama, where it was being sold to Russian and Turkish buyers looking to shift or hide assets in the wake of international sanctions imposed on Russia after its large-scale aggression against Ukraine. Another source had been told that the Clan del Golfo had diverted gold into Panama or otherwise withheld it from the market as economic retaliation for the extradition to the United States of their most prominent leader, Dairo Úsuga, known as Otoniel (COL-com-k-062722, Annex A). The geographical common denominator of the two hypotheses is Panama.

Panama does have a gold mining industry, but it is not a producer in the order of Colombia or the Dominican Republic. That may change somewhat in the coming years, as mines that have been shuttered, some of them due to financial and environmental scandals such as those that engulfed Petaquilla Gold in 2016 (Bourdillon, 2018), have begun to see new investment. Illegal alluvial mining is concentrated in the Colón and Darien provinces, which are particularly difficult to access (IISD, 2020). Even so, Panama's primary role in gold flows will remain as a transit country for both gold and illicit financial flows linked with gold. The planned construction of a USD 250 million regional gold refinery, as a joint venture between the Panamanian Government and the Canadian firm Broadway Strategic Metals, which is reactivating the Molejón gold mine, promises even more significant gold flows through the country (Broadway Strategic Metals, 2021). Given the current nature of flows through Panama, this might pose at least as many challenges as opportunities. Gold smuggling and laundering are likely to increase.

In gold smuggling, as in any smuggling, what matters most is what one regional law enforcement official referred to as "a secure highway for your product" (COL-gov-a-032822, Annex A). Such secure infrastructure has characterised illicit flows of gold into, and through, Panama. Where there is a high volume of trade through a convergence hub, the "noise" generated by the heavy traffic is ideal for obscuring illicit trade, especially in goods that are not intrinsically illicit. This explains the past history of trade-based money laundering (TBML) in Panama, especially in the Colón Free Zone, including the black market peso exchange of Latin American organised criminal groups (FATF, 2010).

Gold smuggling into Panama is both significant and systematic. Sources have confirmed that gold from Colombia, Venezuela, and Peru finds its way regularly to Panama (PAN-gov-e-041922, PAN-com-c-040822, VEN-cso-b-040822, USA-cso-c-041922, Annex A). In the cases of Colombia and Venezuela, one of the most common routes is maritime. Sources have pointed to go-fast boats departing from the Colombian Caribbean coastal towns of Necoclí and Guapi, or fishing boats on the Pacific coast (Cárdenas 2021, COL-com-e-050 922), Annex A. Often, those vessels are following the infrastructure of narcotics trafficking; on one route, small boats from those areas reportedly meet ships headed to the Colón Free Zone and transship gold, narcotics, and other contraband (COL-com-a-030422, Annex A).

The Clan del Golfo, a Colombian criminal group historically strong in regions near the Panama border, seem to have taken command of a large portion of this smuggling. According to a Colombian General, the organisation smuggles illegally mined gold across the border to be sold and laundered into legitimate supply chains leading to the United States and Europe; in some cases, helicopters are used to ferry the gold into Panama (van Uhm, 2020). In a more recent development, the failure of cyanidation plants in Venezuela has reportedly led to the smuggling of gold concentrate, which is allegedly sought after by Russian, Turkish, and North American buyers not only for its gold content, but also for its smaller amounts of far more expensive platinum group metals such as rhodium and palladium (Pacheco, 2022; PAN-com-k-062022, Annex A).

Gold smuggling is signalled in the broadest trade data, though those data are sometimes far from complete. Between 2010 and 2018, for instance, Colombia reported exporting a total of USD 4.3 million in gold to Panama; in that same period, Panama reported gold imports from Colombia worth over USD 60 million (Cárdenas, 2021). According to Comtrade data, the pattern continued in 2019, when Colombia reported exports of gold bars to Panama of USD 1.7 million, and Panama reported corresponding imports of USD 14.5 million. In 2021, a severely disruptive year in both trade and trade reporting, the numbers were both markedly diminished and reversed, with Colombia reporting USD 500 000 in exports to Panama's USD 16 000 in imports. Importantly, though, Panama's exports of gold routinely outstrip its imports, despite the fact that the country has negligible gold production of its own. Yet the Comtrade figures are revealed as inadequate by more detailed data. Comtrade indicates that, in 2021, Panama reported global imports of less than USD 2 million, while reporting exports in excess of USD12 million. Transaction-level data from SICEX, however, indicate that, in that same year, one pawn shop and gold trader in Panama City shipped over USD 18 million in gold to one Swiss refiner.

**Table 3. Reporting of the formal gold trade between Colombia and Panama by year and USD value**

DIRECTION OF TRADE	FORM OF GOLD	2016	2017	2018	2019	2020	2021	2022
Colombia Exports to Panama	Doré	2 023 935.84	5 364 738.81	1 887 378.53	1 696 242.14	0.00	716 671.14	770 032.09
Panama Imports from Colombia	Doré	0.00	0.00	0.00	30 990.00	14 873.71	1 085.87	0.00
Colombia Exports to Panama	Scrap	0.00	52 090.35	0.00	677 480.33	0.00	1 414 231.95	304 791.00
Colombia Exports to Panama	Jewellery	1 292 759.48	736 815.26	496 416.64	521 828.76	195 489.64	348 364.64	0.00
Panama Imports from Colombia	Jewellery	25 439.14	834.93	2 997.37	66 072.08	183.14	208 932.02	907.31
Panama Exports to Colombia	Jewellery	0.00	0.00	21 475.08	0.00	111 726.74	0.00	0.00
Colombia Imports from Panama	Jewellery	1 110 481.04	100 093.81	881 043.46	532 442.87	2 533 181.13	3 336 704.38	797 884.42

Note: The table does not take into account cost insurance and freight (CIF) – free on board (FOB) conversion.

Source: UN Comtrade.

Panama's FTZs play pivotal roles in both gold smuggling and GBML, often in tandem with regional trading partners, particularly Colombia. But the modalities of illicit gold flows through those Zones, and in Panama as a whole, are distinct. Some have remained more or less in place for decades, while others are innovative, and likely to be replicated in the near future.

## The free trade zone Regime in Panama

Any examination of the role played by Panama's FTZs in illicit gold flows should begin with the larger context of Panama's reputation as a hub for illicit as well as licit trade. The highly publicised leaks released over the past several years as the Panama Papers and the Pandora Papers have only deepened that perception. Panama has been grey-listed by FATF, and largely as a result also placed on the EU list of non-co-operative jurisdictions for tax purposes (Tico Times, 2022; Council of the European Union, 2022). In 2022, the Tax Justice Network scored Panama as ranking #18 globally on the Financial Secrecy Index. It should also be kept in mind, however, that the United States, a major trading partner, ranked #1 on that same index (TJN, 2022).

These disclosures and consequences have increased pressure on Panama to impose stricter AML/CFT measures, as well as laws designed to limit corporate secrecy. One example is a 2020 law mandating the establishment of a beneficial ownership register. The law, finally issued as Decree No. 13 of 25 March 2022, requires all resident agents (corporate service providers) to register identifying information on the beneficial owners of their client businesses in a central database run by the Superintendency of Non-Financial Subjects (SSFN, or *Superintendencia*). Yet the law does not contain a clear provision for the database to be publicly accessible, and no enforcement mechanism to ensure that information supplied by resident agents is accurate (Transparency International, 2021). Beyond that regulatory shift, a 2021 bill to enhance Panamanian law enforcement's ability to seize assets remains unpassed (INL, 2022). This persistence of loopholes, as well as the gap between establishment and implementation, also characterises much of what happens in the country's Free Zones.

Panama has 20 FTZs, many of which are small and privately run. There are, however, three major Zones: Colón Free Zone (CFZ), Panamá Pacífico Free Zone, and City of Knowledge Free Zone. The latter, as its name suggests, is built around the information economy, so gold flows do not factor into its operations. The CFZ and Panamá Pacífico, however, both figure in gold flows, though very differently. They are also regulated differently. One key rule they share, however, differs from those in Colombia and the Dominican Republic: goods entering an FTZ are not considered as exported from Panama, but remain under Panamanian jurisdiction until export from the Zone. The two Zones also share a largely common framework of tax and import duty exemptions on raw and semi-manufactured products, as well as permanent residency permits for investors and temporary ones for staff that last the duration of their appointments in Panama (Georgia Tech, 2022).

### **The Colón Free Zone and Panamá Pacífico**

The CFZ is a first-generation FTZ, established in 1948, and remains the world's second-largest behind Hong Kong (China). It is operated by the CFZ Administration, an independent government agency. Of the roughly 3 200 companies with presences there, 1 828 are listed as users in the January 2022 iteration of the CFZ directory (WTO, 2021; Georgia Tech, 2022). Permitted activities vary widely, from wholesale sales and import-export to manufacturing, logistics, and banking services. Zone users are required to re-export 60% of imports received and maintain at least five permanent Panamanian employees (WTO, 2021). In the past decade, CFZ has shrunk, mainly due to the degrading of the economy of Venezuela, historically the CFZ's third-ranking export destination (Hausmann, Obrach, and Santos, 2016/17).

In 2016, measures to increase transparency and overcome some of the vulnerabilities identified in the 2010 FATF report began to be phased in. They included the development of a Single Window system providing integrated visibility on shipping and Customs documentation. In 2019, the Declaration of Electronic Commercial Activity followed, enabling digital tracking of goods and their movements through the Zone, and allowing Zone users, their trading partners, and customs brokers to submit any necessary documentation digitally (WTO, 2021). The following year, the Declaration of Electronic Commercial Activities of CFZ was first linked with the electronic management system of Panamanian Customs (Hub News, 2020). Law enforcement activities have ramped up as well. The *Superintendencia*, which has regulatory control over the designated non-financial businesses or professions (DNFBPs) that include the CFZ's users, reportedly conducts more than a third of its in situ inspections in CFZ (RUSI, 2020).

The application for companies to become Zone users in CFZ is not particularly rigorous. They can apply across one or more of three arrangements: location rental, operations permit, and use of public warehousing. There are no investment thresholds, nor is a business license required. Companies apply to the CFZ Administration directly and, if approved, receive an "operating key," a number identifying them for approved operations in the Zone (KPMG, 2021).

Panamá Pacífico is much younger than CFZ, having begun operations in 2007 on the former grounds of US Air Force base and gradually expanded. It is also much smaller in terms of total companies, with just over 200. Unlike CFZ, it has mixed governance, in the form of a public-private partnership between the Panamanian Government and the real estate development firm London & Regional, executed through the Panama Pacífico Agency. Though Panamá Pacífico at first offered more incentives than CFZ, in recent years those differences have been largely leveled out (Negrón, 2018). Panamá Pacífico also presents a more rigorous application process for companies seeking to become Zone users. Once operational, users are required to submit annual affidavits detailing their activities, operating expenses, and employees, and including audited financials (Panamá Pacífico, 2022).

### **Vulnerabilities of free trade zones**

Some of the vulnerabilities of Panama's FTZs are obvious, some less so. Unsurprisingly, the consensus among sources in Panama is that Panamá Pacífico is generally well-run and relatively "clean," while CFZ remains much more vulnerable to criminal exploitation (PAN-com-g-053122, COL-gov-b-032922, AUS-cso-e-050322, Annex A). The 2022 the United States International Narcotics Control Strategy Report – which cites CFZ in particular for "weak Customs enforcement and limited oversight of transactions" despite efforts by the Panamanian Government toward "stronger procedures to inspect goods and register legal entities" as well as "improved co-ordination and co-operation between the CFZ and Customs authorities" – indicates as much (INL, 2022). The sheer scale of CFZ aggravates those challenges; the volume of traffic moving at an accelerated pace through the Zone provides plenty of cover for smuggling, trafficking, and TBML, also increasing the potential for corruption linked with those activities. According to one expert, it is still too early to discern the extent to which the Single Window for Formalities system and subsequent upgrades will actually facilitate law enforcement as well as the expedited movement of goods (AUS-cso-e-050322, Annex A).

A FATF/Gafilat Mutual Evaluation Report on Panama from 2018 identifies the country's FTZs as high risk sectors, particularly in relation to TBML. One notable vulnerability is the latitude allowed by Panamanian Zones for offshore trade operations, in which goods never enter Panamanian commerce – an enabling factor for misinvoicing, triangulation, and other forms of fraud. Another cited vulnerability, which remains an open question, is the role and conduct of cash transactions in CFZ. In 2019, a Panamanian official denied that large cash transactions were permitted in the Zone, despite a finding by the Panamanian Government that large quantities of cash were circulating there, and there appears to be confusion among Zone users as to how large a cash transaction is permissible and why (Gafilat, 2018b; RUSI, 2020).



One overlooked potential vulnerability in the CFZ regime is the rule that users may temporarily move unfinished or semi-finished goods outside the Zone for a range of processes; taxes accrue only if the goods remain outside the Zone for six months (or a year with an extension from the CFZ Administration), or if the goods re-enter CFZ in reduced amounts (WTO, 2021). This creates a potential means for gold smuggled into CFZ to exit the Zone, its absence only being noted in the event of a thorough comparative inspection of the consignment of goods returning the Zone. The gold itself, or its absence, could be easily concealed, especially in movements of other metal goods.

The vulnerabilities noted in CFZ do not mean that Panamá Pacífico or other Zones are immune to illicit activity. Smaller Free Zones in particular have been described by sources as lacking controls, with one expert reporting that Panamanian authorities have characterised them as “anything goes” (PAN-com-g-053122, AUS-cso-e-050322, Annex A). Also, a less obvious but concerning potential weakness is shared among all the country’s Free Zones: Panama’s requirement that importers use the services of customs brokers for all but the smallest shipments (PAN-com-k-062022, Annex A). The potential risks attached to customs brokers have been discussed previously in this report.

## Gold laundering and GBML in free zones

Gold-related illicit activities in Panama are closely tied to specific forms of gold, especially bars (doré predominantly, but also bullion), jewellery, and gold concentrate. Each moves through the country in distinct ways; jewellery is especially prominent in flows linked with CFZ.

Research indicates that while illicit flows of gold bars transit FTZs, especially CFZ, they do not enter into commerce there but are either smuggled abroad with other cargos or moved out of the CFZ and merged with other flows of smuggled gold bars in Panama. Panjiva and SICEX data indicate a significant volume of gold bars being exported by pawn shop networks. The shops melt down jewellery to make doré, but not in anywhere near sufficient quantities to account for their exports (DR-com-d-042922, Annex A).

Historically, CFZ in particular has served as a key hub for a distinctive modality of GBML: one involving the circulation (and often, the recirculation) of gold in the forms of jewellery and bars, for the purpose of occasioning transactions that launder narcotics proceeds. The circuit not only launders illicit funds; it also obscures the laundering because no one has possession of the gold for long.

One precursor of this form of laundering was “La Mina,” the GBML system developed by the Medellín cartel in the 1980s with the assistance of an Argentine money launderer and a Uruguayan precious metals trader, and uncovered in Operation Polar Cap in 1989. Between 1986 and 1989, La Mina was used to launder over USD 1.2 billion in narcotics trafficking revenues. The system revolved primarily around phantom gold: lead bars washed in gold were shipped to phony jewellery companies and refineries in the United States, which paid for the simulated gold with cash collected from narcotics sales. The scheme gradually spun off variations, including the shipment of bulk cash, labeled as gold scrap, to colluding jewelers in Los Angeles, who deposited the cash in an array of bank accounts there as revenues from the alleged gold sales. Once entered into the financial system, the money was triangulated through Banco de Occidente in Panama (Maxwell, 1999). Those funds were in turn divided among some accounts in the Andean region to support coca growing and processing, others in the United States to build and maintain trafficking infrastructure, and the rest in Europe, Uruguay, and the Caribbean (O'Donnell, 1999).

The model had taken a different form by 1994, when another laundering circuit was exposed by *Operación Unigold*. In this case, it was the Cali cartel that was engaging in GBML, and with real rather than phantom gold. Cash from narcotics proceeds was channelled through Italian gold traders to purchase up to USD 100 million a month of bullion in Italy. The bullion was then shipped to Panama, where it was converted back into cash that, now effectively clean, was sent to Colombia. The Panamanian company involved in the circuit, Simar Joyeros Mayoristas, had a footprint in Italy and a dominant presence in the

Panamanian gold market. One of the two Italian companies was Aurea Trading, based in Arezzo and owned by Francesco, Luciano, and Mario Pataro. The scale of the trading was such that it distorted Italian gold markets, which drew attention to the illicit activity (El Tiempo, 1994).

It is worth noting that the GBML scheme broken up by *Operación Unigold* unfolded in the wake of the passage in Colombia of Laws 9 of 1991 and 31 of 1992. The first liberalised the gold market, and the second established that the Colombian Central Bank was obligated to purchase any domestically produced gold presented to it for sale (Función Pública, n.d.). This effectively meant that gold from abroad could be smuggled into Colombia, altered to resemble domestic production, and sold either to a private trader in a new and largely unregulated market or to a state buyer who could not decline the transaction – an ideal environment for GBML.

Subsequent iterations of the Unigold model have involved flows of gold circuiting between CFZ and Colombia. Investigations have uncovered a range of methods for smuggling gold, beyond the previously mentioned use of helicopters and boats. Other aircraft, both private and commercial, have been used, sometimes with the collusion of Customs agents and airport personnel bribed or coerced into allowing gold to transit airports without incident. Gold has also been worn as jewellery, formed into heavy buckles for bags or belts, or coated with silver or steel. One method of concealment has involved melting gold into the shapes of ordinary goods such as tools or machine parts (OAS, 2022b). This technique actually dates at least as far back as the turn of the century, when a sting operation found that gold purchased in the United States was being melted into belts and buckles as well as hand tools in New York for shipment to Colombia, where it would be reconstituted as bars and sold to recover the cash (Lehmann, 2003).

These methods have resurfaced in recent cases involving Panama, including a 2016-18 investigation in which a couple moving gold from Panama to Colombia were found to have over 13 000 items of jewellery concealed in their luggage at one time (En Segundos, 2018). Other variations exist, including reports from a DIAN source of artisanal jewellery being flown by passengers from Colombia to Panama and other Central American countries, with different gold arriving back in Colombia on return flights (COL-gov-b-032 922). This could indicate a money laundering circuit in which gold is being recirculated in different forms, through multiple jurisdictions, to trigger series of transactions that launder illicit profits.

More prominently, in *Operación Esplendor* in 2018, Colombian and Panamanian authorities broke up a GBML ring in which “mules” carried illegally sourced gold concealed in their luggage, or as silver accessories, on commercial flights from a handful of Colombian cities to Panama. The gold was then declared on entry into Panama and countertraded to two companies in the CFZ, Gold America SA and Alpha Trading SA, for gold jewellery imported from Italy, which was concealed on their return flights and then sold at retail shops controlled by the criminal organisation behind the smuggling, thereby laundering both gold and money. The traffic included ingots as well as jewellery, and Colombian migration officials were found to have taken bribes to facilitate the transit through domestic airports (En Segundos, 2019). One adjustment to the scheme in this version is that the jewellery, rather than being exported from Colombia to enter back into a laundering cycle, was sold on the Colombian market. According to an industry source in Colombia, this shift signifies a response to increasing vigilance on the part of Colombian and Panamanian authorities. It is easier to recover cash in this fashion than to risk moving the gold abroad again as jewellery, scrap, or bars (COL-com-e-050922, Annex A).

This history presents three aspects that bear keeping in mind:

- The first is how the role CFZ plays in these GBML schemes corresponds to that of a Free Zone in legitimate commerce: it is essentially a transit hub through which goods move in a repeatable circuit, a carousel. The gold that moves back and forth between CFZ and Colombia can cycle perpetually as either bars or jewellery, being used many times over for transactions that launder the proceeds of illicit activities.
- Another factor is the prevalence of jewellery in these GBML circuits. The CFZ directory in fact lists no identifiable dealers in precious metals that are not primarily jewellers. To the extent that illicit

gold enters into commerce within CFZ, evidence suggests that it does so via these jewellery dealers, though any number of logistics companies are capable of moving shipments through the Zone as well. Given the volume of jewellery shipments among Panama, Colombia, Ecuador, and other countries, this suggests that more extensive study of the regional use of jewellery for GBML is warranted.

- Finally, the sheer persistence of the modality is striking. The above examples exist because smuggling and money laundering operations were broken up – yet the same techniques continue to be used. This follows the same logic as the gold laundering methods noted in Colombia: they continue to resurface because they generally succeed.

# 5 Dominican Republic

## Aspects of gold flows in the Dominican Republic

Like Colombia, the Dominican Republic is a gold producing country. Unlike Colombia, its ASGM sector is statistically insignificant. Like Panama, the Dominican Republic is a transshipment hub for a wide range of goods. Unlike Panama, none of its FTZs is among the world's largest. It remains relatively opaque to research on gold flows.

Part of the challenge in assessing gold flows through the Dominican Republic is the difficulty of obtaining accurate public data. The government's trade data are not easily accessible: major trade analytics platforms do not receive company- or transaction-level reporting, and the public-facing website of Dominican Customs presents Harmonised System trade data only at the two-digit chapter level, which is too broad for meaningful analysis of precious metals flows. To access more detailed information, it is necessary to approach Customs directly. Furthermore, the data are aggregated across different registries that are often difficult to reconcile and require some smoothing. A well-placed commercial source in the country maintains that he generally expects errors in the data, sometimes on the order of 30 to 40% (DR-com-d-042922, Annex A). This caveat should be kept in mind by anyone seeking to draw data-driven conclusions about gold flows in the country.

As noted above, the Dominican Republic is a gold-producing country, but not in a way that lends itself to gold laundering in the manner of, for instance, Colombia's sprawling gold sector, with its myriad and often short-lived suppliers and traders. Gold mining in the Dominican Republic is dominated by international companies running sizable operations – especially one, the Pueblo Viejo mine, a joint venture of the mining seniors Barrick and Newmont. Pueblo Viejo produces nearly all of the country's output, which has declined somewhat in recent years, totaling 25.5 t in 2021 (World Gold Council). One analyst indicated that the ASGM sector accounts for at most 10 kg per month (DOM-com-j-061022, Annex A). Illicit gold flows in the Dominican Republic are therefore not about domestic production, but rather smuggling and GBML.

In 2019, a notable discrepancy appeared in Comtrade data on exports of doré from the Dominican Republic, potentially indicating the laundering of doré from elsewhere into Dominican production. Since then, however, the numbers have generally evened out, especially in light of the fact that, as shipment data from Panjiva reveal, the doré produced at Pueblo Viejo runs at around 20-25% purity.

The smuggling of gold into the Dominican Republic, especially from Venezuela, has been a concern at least since the opening of the Orinoco Mining Arc in that country in 2016, and especially since flows from Venezuela through Curaçao diminished markedly in 2019 (OECD, 2021a). One Venezuelan source reports seeing documentation of 200 kg of gold going to the Dominican Republic in 2020; that would presumably only register a portion of the overall flow. According to that source, roughly 10% of Venezuelan production is secreted out via the Dominican Republic, along with Aruba, Bonaire and Curaçao, mostly by the Venezuelan military (VEN-cso-g-060122, Annex A).

The wealthy Venezuelan expatriate community in the Dominican Republic reportedly has included Samark Lopez, a close associate of Alex Saab and Tareck El Aissami and reportedly an early architect of Venezuela's surreptitious exports of gold (VEN-cso-b-040822, Annex A; Dominican Today, 2019). As prior

research has indicated, much of that gold flows along the infrastructure of narcotics trafficking, of which the Dominican Republic is a major hub (OECD, 2021a).

One key incentive to moving Venezuelan gold through the Dominican Republic is the possibility of making fraudulent Free Trade Agreement claims when taking the gold into the United States. Paperwork indicates that the gold originated in the Dominican Republic means avoiding a 3.4% import tariff. In some cases, the gold is imported as scrap, as that can create a tariff shift indicating a substantial transformation in the gold; this renders the Dominican Republic the country of origin. As one US Customs official said, “You can call anything scrap” (USA-gov-i-053122, Annex A).

By far the largest and most important flows of gold into and out of the Dominican Republic involve jewellery. The country is a significant exporter, and its FTZs in particular move hundreds of millions of dollars of gold jewellery every year. The overwhelming majority of exports go to the United States. Italy, however, exports considerable quantities of gold to the Dominican Republic to feed its jewellery industry, not least because the manufacturer Alessi Domenico has an extensive assembly operation in the San Isidro FTZ. Panjiva data show that much of the country’s exported jewellery goes to North American wholesalers such as Stuller and Jacmel.

As in Panama, pawn shops participate in high-risk gold flows, and most of them are networked under common ownership. Sources indicate that pawnbrokers in the Dominican Republic are sometimes financed by Colombian organised criminal groups, for exploitation as money laundering mechanisms. They take advantage of gold jewellery shipped from the United States to the Dominican Republic as a form of remittance; the jewellery goes to pawnbrokers, who purchase the gold with the cash proceeds of narcotics sales, break up the jewellery, and ship it back to the United States as scrap (DOM-com-j-061022, Annex A). While this is not large-scale laundering, neither is it insignificant.

The 2021 case of Operación Larva, which broke up a money laundering organisation linked with the narco-trafficker César Emilio Peralta, known as “El Abusador,” allegedly found links to remittances and jewellery shops (DOM-gov-f-042922, Annex A). Peralta himself was reportedly involved in purchasing jewellery as part of the scheme, which also included a number of front companies and currency exchange services (Casado, 2021).

## The free trade zone in the Dominican Republic

The Dominican Republic has 75 FTZs, which are export-oriented and house approximately 750 user companies and consist of three types: industrial, which can be established anywhere; border, which must be between 3 and 25 km from the Haitian border; and special, which need to be located in particular areas because of resource or logistical needs. The FTZs are regulated and promoted by the National Council of Exporting Free Zones. The Zones are intrinsic to the country’s long-term strategy of positioning itself as a key transshipment and manufacturing hub. That much is evident in the volume of trade passing through them: in 2019, just before the global pandemic, FTZ exports totaled USD 6.25 billion, as opposed to only USD 4.9 billion in other exports. In 2022, FTZ exports are anticipated to exceed USD 8 billion (Acosta, 2022).

The Dominican Republic has not accepted Specific Annex D of the Revised Kyoto Convention, but it does have an established regulatory framework governing its FTZs, largely built around Law 8 of 1990. Customs must have a presence in every FTZ, though Zone entries are, as in Colombia, regarded as exports from the national tax territory. Zone operators are required to file monthly financial reports with the Central Bank of the Dominican Republic. Customs is to directly supervise shipments into and out of FTZs, with imports from abroad into Zones being sealed on arrival in the country for inspection on entry into a Zone, and Zone exports being dealt with in the same way until handed off by Customs at the port of departure (Guzmán Ariza, 2022).

As is increasingly common, the Dominican Republic has a single window system for Customs, known as the Integrated System for Customs Management, that allows for digital processing of all import-export paperwork, mainly via the Single Customs Declaration form. This form must be accompanied by invoices, transport documents, and certificates of origin where applicable. Though, unlike Panama, the Dominican Republic does not mandate the use of customs brokers, they are involved in approximately 80% of imports and exports (Logistics Hub, 2022).

Companies apply to be Zone users via an application letter from the president or authorised representative of the company to the National Council of Exporting Free Zones, accompanied by typical documentation. Zone users are largely unrestricted in their business activities. Significantly, however, the tax exemption for bringing materials into an FTZ does not automatically apply to gold; the exemption only takes effect if the value added to the gold within the Zone equals or exceeds 50% (Guzmán Ariza, 2022). This rule may partly account for the prevalence of jewellery manufacturing as the industry absorbing gold flows into the FTZs.

## Gold laundering and GBML in free zones

As noted above, it is challenging to identify specific risks in gold flows through the Dominican Republic, partly because the data are unreliable, and partly because gold smuggled into the country, especially if it tracks narcotrafficking infrastructure, may often leave for other jurisdictions without ever having entered into Dominican commerce and therefore having left no discernible trail. There are, however, areas of concern linked with FTZs that merit further research.

Table 4 indicates the scale of gold flows through the FTZs relative to other flows, from 2020 forward. Amounts are given in USD value only, as quantities by kg are too unreliable.

**Table 4. Gold imports and exports by form, Dominican FTZs**

REGIME	GOLD FORM	BY	Imports		Exports	
			2020	2021	2020	2021
National (non-FTZ)	Doré		855 391.91	1 490 249.57	1 759 909 205.27	1 697 579 351.61
National (non-FTZ)	Scrap			7 314.73	773 603.23	604 390.15
National (non-FTZ)	Jewelry		9 014 467.67	15 644 590.98	1 412 519.13	2 842 300.47
INDUSTRIAL FTZs	Doré		94 948 772.22	164 244 377.70	6 335 380.00	50 402 096.55
INDUSTRIAL FTZs	Scrap			18 666.10	38 945 178.59	66 185 121.15
INDUSTRIAL FTZs	Jewelry		340 568 700.85	567 951 924.46	365 117 485.44	600 212 354.26
COMMERCIAL (IMPORTS ONLY)	Jewelry	FTZs	1 704 436.37	2 119 040.81		

Source: Dominican Republic Customs.

Note: All imports and exports are in USD

The data reveal three important points. The first is the sheer volume of gold moving through the FTZs, mostly as jewellery. This could create sufficient “noise” to cover the laundering of significant amounts of illicit gold into the overall stream.

The second is the volume of scrap, largely generated by the jewelry industry. According to a source with direct knowledge of their operations, Alessi Domenico import bullion to their San Isidro FTZ facility for fabrication of jewelry, mostly gold chains, that are then exported to the United States. Approximately 10% of the incoming gold is exported as scrap from the manufacturing process. A small portion of the doré and



scrap exported includes waste recovered from the air filters in production facilities (DOM-com-j-061022, Annex A). The data appear consistent with this reporting.

Those efficiencies aside, FTZ imports and exports of doré spiked in 2021. From 2020 to 2021, imports into the FTZs increased markedly, from USD 92.5 million to USD 164 million – according to Dominican Customs data, all but about USD 10 million of which came from Italy. Concurrently, exports leaped from USD 6.3 million to USD 50.4 million, while values of scrap exported spiked from USD 39.6 million to USD 67.4 million. Based on Q1 figures, projected imports of doré for 2022 may be as high as USD322 million, but exports might decline to below USD 10 million. The abrupt escalation in doré imports is striking, but the imports and exports approximately net out, indicating a shift in gold flows by at least one major Zone user. The question here is not so much the increase in flows of doré and scrap, which might reflect a business strategy, but the degree to which such a sharp increase might create potential risk – for instance, the possibility of smuggled gold being laundered into the vastly expanded export stream of scrap from FTZs.

A final consideration in gold flows through FTZs is the role of corruption. One regional expert did not hesitate to allege that corrupt Customs personnel facilitate different illicit flows into and through the Dominican Republic's airports and seaports (COL-gov-a-032822, Annex A). The nature of such a problem makes it difficult to measure. A high number of disciplinary actions or prosecutions might point to widespread corruption, but it might also indicate vigilant supervision, while a lack of such data might indicate either a high-functioning Customs administration or pervasive corruption going unchecked.

Though these questions emerge from the available data on gold flows through the Dominican Republic's FTZs, the more consistent takeaway is that it remains difficult to determine the extent to which illicit gold flows through the country, or the precise means by which it would do so. There is anecdotal evidence as well as some questionable data, but visibility on the flows remains unclear. Part of the challenge is the available capacity of Dominican law enforcement and Customs, which seem to focus primarily on other contraband, especially narcotics, while processing high volumes of trade and a large tourism industry. The question of illicit gold flows in the Dominican Republic remains an open one.

## 6 Widening the horizon

While the FTZs of Colombia, Panama, and the Dominican Republic deserve particular attention in relation to gold flows, other regional and extra-regional FTZs merit study as well. Not only are the connections among global FTZs worth examining; certain Zones might reveal modalities of illicit gold-related activity particular to certain locations, or not immediately evident in FTZs elsewhere. Briefly widening the lens from the three countries featured in this report can suggest several avenues for future research.

### Central America and the Caribbean

A 2020 statistical study by the Americas Free Zones Association identified over 600 FTZs in Central and South America and the Caribbean (AZFA, 2020). The fact that FTZs in Central America, minus Panama, number over 150 should itself be cause for heightened attention, not only because the Zones are unlikely to be uniformly well-operated but also because intense competition among Zones targeting the same forms of economic expansion might make some more vulnerable to criminal encroachment. Weak governance, as well as in the particulars of these FTZs, is also potentially problematic factor in some of these countries.

A number of these FTZs may be vulnerable to illicit gold flows. The Central American route for narcotics trafficking provides infrastructure for some of the same actors moving gold globally, and the growing number of FTZs along that supply chain are potential cause for concern.

While countries such as Guyana and Suriname are known to generate illicit gold flows, they do not host FTZs; Zones in other jurisdictions, however, may be vulnerable to exploitation as transshipment hubs for illicit gold. According to sources in Venezuela and Colombia, Curaçao is resurging as a hub for gold flows (VEN-cso-g-060122, COL-com-h-060122, Annex A). The FTZs of Trinidad and Tobago are acknowledged by the Trinidad and Tobago Manufacturers Association as being penetrated by illicit trade (Daily Express, 2021). The country's proximity to Venezuela, as well as its close trade ties with both the United States and partners in West Africa, position it as a suitable transit hub, from which gold en route to Dubai or Türkiye could travel via such gold exporters as Ghana, Guinea, and Burkina Faso. Gold from Venezuela is already known to have been shipped to Uganda, where a recent report by the FTZ Authority found that 93% of exports from FTZs were, in fact, gold (OECD, 2021a; Angurini, 2021).

### Brazil

Of Brazil's 20 FTZs, those close to areas in the Amazon affected by wildcat mining are of the greatest concern in relation to gold flows, especially given that the Brazilian Federal Police estimate that more than 30% of Brazil's gold exports are illegally mined (BRA-gov-g-051322, Annex A). In efforts to combat this situation, the Government of Brazil launched Operation Verde Brasil ('Brazil Green') in September 2019, which led to the arrest of several people involved in the exploitation of illegal mining sites, the seizure of vehicles and machinery, and the imposition of fines adding up to 3 337 billion Brazilian Reals (approx. USD 650M) (Government of Brazil, 2021). However, civil society and indigenous groups have expressed concerns with regards to the effectiveness of these initiatives; interviews with industry and civil society groups point to the lack of a comprehensive response to the problem of illegal mining (OECD, 2022b).

In fact, one case has already emerged of a complex criminal enterprise involving the FTZ of Manaus, the capital of Amazonas and a hub for both legal and illicit gold trading. A jewellery manufacturer in the Zone was found to have purchased counterfeit gold bars in São Paulo and transported them to its warehouses in the Zone. The gambit did not make sense as tax fraud, and the company was found to be stockpiling 60 kg of actual gold. Forensic accounting eventually uncovered that loans between branches of the company were being justified by the purchases of counterfeit gold when in fact the money was financing an illegal mining operation. In the course of two years, the company had moved 500 kg of gold, approximately half of it illegally mined (BRA-gov-g-051322, Annex A).

While the evidence on the dynamics of illicit gold flows in the wider region presented in this chapter does not aim to be comprehensive, it makes the case for a deeper and more systematic examination of instances of illicit gold flows in these countries.

# 7 Recommendations

As noted in the Introduction to this report, considerable research has been undertaken on how to counter illicit trade in FTZs. Yet, the research for this report has highlighted specific areas where practical steps can be taken to make FTZs less hospitable to illicit gold flows. Accordingly, detailed below are both broad measures to counter illicit trade and specific – sometimes country-specific – ways to counter gold laundering and GBML in Zones.

## **Ensure the implementation of the FTZ Recommendation and promote the application of the OECD Code of Conduct for Clean Free Trade Zones.**

In 2019, the OECD Council has adopted a Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones. The Recommendation is designed to advise adhering countries on how to ensure transparency in FTZs. In the Appendix the Recommendation includes a Code of Conduct for Clean Free Trade Zones (OECD, 2019). While all the recommendations in the Code promise to be effective, in the context of this report, a few of them are particularly salient.

The OECD Code of Conduct itself is concise, specific, and unequivocal in this regard. If adopted by the FTZ authorities, the requirements it sets involving unfettered access for Customs and other enforcement authorities, detailed and continuously updated digital records, immediate compliance with requests for information by competent authorities, the deterrence of cash payments, and external audits are all effective ways to make FTZs much less hospitable environments for illicit trade.

**The deterrence of cash payments within FTZs should be mandated wherever possible.** Cash means opacity, and its heavy use conflicts directly with the imperative that Customs and Zone operators should have visibility on transactions and movements of goods within Zones. Furthermore, where cash and gold circulate in significant quantities, the risk of GBML rises significantly.

**Unrestricted access for enforcement authorities to gold moving through Zones is critical.** Authorities must not only have a functional presence within every Zone; they must also have the resources, the reach, and the acknowledged authority to ensure that precious metals, stones, and jewellery are subject to mandatory physical inspection on entry into and exit from a Zone, and that random checks can be performed at any point. This requires co-ordination and co-operation between Customs and Zone operators.

Such co-ordination raises the question of technology. While continuously updated digital documentation systems and inventory control systems can have major impact, it is crucial that technology not be seen as a panacea. Like any other tool, such systems must be used effectively. In that light, governments might **consider training and tasking at least some enforcement personnel to track precious metals, stones, and jewellery** where those goods pose particular risks in terms of illicit activity.

More broadly, it is important to educate enforcement authorities and security personnel on the importance of countering illicit gold flows, which are linked not only with other forms of trafficking but also with the financing of terrorism, and with sanctions evasion. Too often, customs, coast guard, policy and other security and law enforcement personnel simply do not know that gold is an issue, do not know how to look for it, and do not know how to respond when they encounter evidence of illicit flows. Legally, these can be complex situations, and require both a clear sense of the relevant laws and access to expert legal input.

Even such education avails little if the tools to counter illicit gold flows are not in place. On a concrete level, this can mean equipping enforcement personnel with the technological means to, at least quickly and provisionally, assay gold imports. Furthermore, **the legal framework around gold exports needs to reflect a recognition of the risks attached to them.** In the United States, for instance, the loophole that allows gold bars to be carried into the country exempt from the filing of FinCEN Form 105 should be closed.

Of particular interest is also the FTZ Recommendation itself which recommends that Adhering countries: **“Ensure competent authorities have access to aggregated statistical data on goods entering and leaving the FTZ on the basis of their tariff classification, and information that identifies the owner(s) of goods.”** In this regard, transparency implies making publicly available company-level data on the movement of gold through FTZs. To limit visibility on the movement of gold within FTZs is to enable illicit gold flows. Accordingly, the closing phrase of the policy recommendation is crucial: data aggregated on the basis of tariff classification are helpful, but only “information that identifies the owner(s) of the goods” translates into full transparency and public accountability. The understanding of companies as legal persons with data protection rights does not obviate this necessary transparency about the ownership and flow of goods; **where the legal framework governing FTZs does not allow for such transparency, the framework should be amended.**

As this report indicates, the lack of data transparency or accessibility when it comes to activities within FTZs can take different forms. Whether data are only made available anonymised, or data are posted online according to tariff classification but only at chapter-level aggregation, the result is the same: an opacity that undermines confidence in the integrity of the Zones. This lack of transparency extends to the approaches of Zone operators. For instance, some publish user directories with contact information for companies, while others do not even list their users publicly. This opacity on the part of operators may partly be a consequence of the intense competition among proliferating FTZs, but it is nonetheless a barrier behind which illicit trade may take root. Regulatory authorities should, wherever possible, **require that Zone operators publish continuously updated and detailed directories of their users. Alternatively, as in the case of the Dominican Republic, authorities should maintain centralised and accessible directories themselves.**

Also crucially the FTZ Recommendation calls on Adhering countries to **“co-operate internationally in the exchange of law enforcement information, and consult with competent authorities and affected industries in investigations and other legal or administrative proceedings concerning specific cases of misuse of FTZ related to illicit trade”.** More can be said on the precise nature of those efforts, not least because illicit gold flows generally cross jurisdictional boundaries. With sufficient co-ordination, multiple countries can undertake Joint Customs Operations (JCOs), which target and disrupt illicit trade across jurisdictions. The EU’s Operation Warehouse series against the illicit trade in fuel is a noteworthy example. In a broader way, **Mutual Legal Assistance can facilitate the building and prosecuting of transnational cases involving illicit gold flows.** Mutual Legal Assistance can be co-ordinated via bilateral agreements or worked out through international mechanisms such as the UN Convention against Transnational Organised Crime. This Convention also provides for Joint Investigative Teams, which can co-ordinate transnational investigations and prosecutions (Soud 2020). INTERPOL can be an invaluable partner in these and other cross-border efforts to counter illicit gold flows.

**Ensure the implementation of the Due Diligence Recommendation and promote the implementation of the OECD Due Diligence Guidance.**

In this context, **the OECD Due Diligence Guidance can play a key facilitating role, particularly in the design and implementation of due diligence procedures for companies and in the identification of red flags by regulators.** The OECD Due Diligence Guidance offers detailed, practical measures that can be used as a basis for the education and training of Customs and security personnel, as well as for regulatory frameworks governing flows of gold through FTZs. As set out in the Due Diligence Recommendation, Adhering countries should make efforts to actively promote the observance of the

OECD Due Diligence Guidance by companies operating in or from their territories, as well as to ensure its widest possible dissemination. Colombia's recently passed Law 2 250 of 2022 (Government of Colombia, 2022<sup>[1]</sup>), for instance, incorporates some regulations consistent with the OECD Due Diligence Guidance, especially regarding know your counterparty measures to be undertaken by companies operating in the gold supply chain.

**The OECD Due Diligence Guidance should also be used by companies to define the scope of enhanced due diligence as it should be applied in certain situations specific to FTZs.** Such situations might include sourcing gold from companies exporting from Zones near gold-producing areas, especially those that involve Annex II risks such as conflict financing, human rights abuses, direct or indirect support to non-state armed groups or to security forces illegally controlling mine sites, and financial crimes. FTZs are especially vulnerable to the exploitation of gold for conflict financing, support to non-state and criminal groups, and financial crimes. **Accordingly, enhanced due diligence should be invoked when sourcing gold from companies operating in FTZs in known transit countries for illicit gold flows, or in Zones known to be havens for illicit trade, trade-based money laundering, or illicit financial flows.** This means that for red-flagged operations companies should set up on-the-ground assessment teams to generate and maintain information on business partners and the circumstances of extraction, trade, handling, refining, and export.

### Targeted policy recommendations for Colombia, Panama, the Dominican Republic and countries in the region

The FTZs in the three target countries in this report present distinct dynamics requiring specific due diligence recommendations, some of which are more precise applications of those listed above.

Because of its own domestic security situation as well as its long and porous border with Venezuela, Colombia faces most directly the Annex II risks involving conflict financing and financial crimes. Gold laundering within the country's domestic supply chain is an ongoing concern, as is the laundering of the proceeds of narcotics trafficking and other predicate crimes. Customs oversight and data transparency are therefore of the utmost importance in gold flows through Colombia's FTZs. On the first point, Colombia has taken decisive steps; on the second, it currently lacks the legal framework for publishing transparent, accessible, company-level data from Zones.

**Given the scale of gold flows through those Zones, measures should be taken to mandate detailed, transparent reporting of data on those flows.** This is a matter of security, the rule of law, and public trust. Furthermore, given the evident risks posed by short-lived companies that can serve as vehicles for gold laundering and GBML, **companies sourcing gold from Colombia, within or outside of FTZs, should consider enhanced due diligence for gold traders that have been operating for less than at least three years.**

As a transit country primarily, Panama faces a different set of risks, primarily centred around transnational organised crime, cross-border gold laundering, GBML, and illicit financial flows. Its recent enactment of Decree 13 of March 2022, mandating a central beneficial ownership registry, is an important step toward broad transparency, but further laws, including one involving asset forfeiture, need to be passed and implemented. While the *Superintendencia* now enjoys expanded authority over the companies operating in FTZs, it still needs sufficient resources to cover the smaller Zones as well as the larger ones. The Colón Free Zone remains a challenge, and, given the documented history of illicit activities surrounding its jewellery companies in particular, **enhanced regulation of that sector, including a higher inspection rate and rigorous auditing requirements, would be warranted.**

The Dominican Republic has a significant flow of imported gold through its FTZs. The gold moves in a variety of changing forms: predominantly jewellery, but also doré, scrap, and bullion. The scale of those



flows, and of the substantial transformations (and therefore tariff shifts) in the gold do present some risk for gold laundering and GBML, especially in the cases of jewellery and scrap. As noted elsewhere in this report, one of the chief obstacles to gauging the risks tied to gold flows through Dominican Zones is the quality and availability of the country's import and export data. As straightforward a measure as ensuring that company-level data are compiled, centralised, and made readily available for use by government agencies, civil society groups, and trade analytics platforms would add much-needed transparency and consistency to information that now is spread across too many sources and aggregated at too-high levels. As with Colombia, **making granular data more readily available is crucial to ensuring a salutary visibility on gold flows through the Zones**. Only with that level of visibility can risks be clearly assessed and appropriate countermeasures identified. Given the country's volume of gold imports and exports in multiple forms, **Customs and security personnel, who are generally focused on other forms of contraband, should be educated in the risks linked with illicit gold flows and instructed in how to identify potential red flags linked with gold shipments**.

Ultimately, mitigating the risks tied to gold flows through these target countries goes beyond Latin America and the Caribbean. Despite the cascading disruptions brought on by the COVID-19 pandemic, illicit gold continues to be traded, using sometimes new modalities. While interventions at the national and regional levels are absolutely necessary to disrupt those flows, co-ordination ultimately has to be global. Though the emphasis in this report is regional, its analysis has global implications and hence the findings should be considered by practitioners and policy makers well beyond the target countries.

## Annex A. Interviews

**Table A A.1. Interviews conducted for this study**

Interview code	Interview description
COL-cso-a-012522	Independent journalist and researcher
COL-com-a-03042	Former defense official, risk management executive
COL-com-b-032522	Mining company executive
COL-gov-a-032822	Law enforcement official
COL-gov-b-032922	Customs official
FRA-gov-c-040122	Economist
CAN-gov-d-040622	Diplomatic service officer
PAN-com-c-040822	Financial executive
VEN-cso-b-040822	Journalists
USA-cso-c-041922	Researchers with an NGO
PAN-gov-e-041922	Law enforcement personnel
COL-cso-d-042122	Independent journalist and researcher
DOM-gov-f-042922	Law enforcement personnel
DR-com-d-042922	Financial executive and consultant
AUS-cso-e-050322	Legal analyst
COL-com-e-050922	Gold industry executive
BRA-gov-g-051322	Law enforcement personnel
COL-cso-f-051722	Journalist
COL-gov-h-052322	Customs official
COL-com-f-052622	FTZ executives
USA-gov-i-053122	Customs officers
PAN-com-g-053122	Financial executive
COL-com-h-060122	Gold industry executive
VEN-cso-g-060122	Journalist
PAN-com-i-060922	Financial executive
DOM-com-j-061022	Consultant
PAN-com-k-062022	Financial executive
USA-gov-k-062422	Customs officer
COL-com-l-062722	Gold industry executive
COL-com-m-062822	Gold industry executives
COL-cso-h-062822	Senior member, regional crime observatory
COL-com-n-070322	Gold industry executive
PAN-com-o-070422	Consultant

Note: Interview codes are used to anonymise sources for this study.

## Annex B. Colombia zone users and entries

Table A B.1. Colombia zone users and entries by year

Year	Zone User	FTZ	Quantity in Kg	Value in USD	Number of Entries
2018	FUNDICIÓN RAMIREZ ZF SAS	PALMASECA – CALI	5 232	178 411 219	831
2018	GRUPO INTL EL DORADO S A S	PERMANENTE SURCOLOMBIANA	10	372 712	2
2018	MITAYOS ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	105	3 109 964	8
2018	P R METALES S A S	RIONEGRO – MEDELLIN	89	3 018 402	15
2018	SANCUS ZFS SAS	PERMANENTE SANTANDER – FLORIDABLANCA	192	7 108 898	15
2019	CLICK ZF SAS	PERMANENTE INTEXMODA SA	28	1 126 293	3
2019	FUNDICIÓN RAMIREZ ZF SAS	PALMASECA – CALI	6 283	238 594 045	1 479
2019	GRUPO ALTEA SAS	RIONEGRO – MEDELLIN	5	224 499	3
2019	MITAYOS ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	686	22 875 418	96
2019	OSPREY METALS SAS	RIONEGRO – MEDELLIN	473	18 817 307	69
2019	SANCUS ZFS SAS	PERMANENTE SANTANDER – FLORIDABLANCA	288	11 120 271	17
2019	UNIVER SAL METALS LLC	RIONEGRO – MEDELLIN	176	7 661 839	18
2020	CLICK SAS	PERMANENTE INTL DEL VALLE DE ABURRA	37	1 848 725	4
2020	CLICK ZF SAS	PERMANENTE INTEXMODA SA	20	797 921	3
2020	FLASH LOGISTICA ZF S A S	PERMANENTE INTEXMODA SA	1	61 331	1
2020	FUNDICIÓN RAMIREZ ZF SAS	PALMASECA – CALI	5 632	271 801 968	1 453
2020	GEO METALS SAS	RIONEGRO – MEDELLIN	82	4 245 570	14
2020	GRUPO ALTEA SAS	RIONEGRO – MEDELLIN	2	73 759	1
2020	INGOTCOL SAS	RIONEGRO – MEDELLIN	481	25 669 721	77
2020	KUBERA GROUP SAS	PERMANENTE DE OCCIDENTE	31	1 431 201	7
2020	LATIN WORLDTECH SAS	PERMANENTE INTL DEL VALLE DE ABURRA	20	1 211 422	2
2020	MITAYOS ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	609	25 839 805	88
2020	OSPREY METALS SAS	RIONEGRO – MEDELLIN	3 854	188 657 997	665
2020	SANCUS ZFS SAS	PERMANENTE SANTANDER – FLORIDABLANCA	342	16 340 109	100
2020	TECNICAS MINERAS DE COLOMBIA SAS	PACIFICO – CALI	131	6 291 616	51
2021	CLICK SAS	PERMANENTE INTL DEL VALLE DE ABURRA	13	619 075	1
2021	FUNDICIÓN RAMIREZ ZF SAS	PALMASECA – CALI	4 125	201 073 236	1 553
2021	GEO METALS SAS	RIONEGRO – MEDELLIN	175	8 260 479	36

Year	Zone User	FTZ	Quantity in Kg	Value in USD	Number of Entries
2021	INGOTCOL SAS	RIONEGRO – MEDELLIN	327	18 239 591	40
2021	KUBERA GROUP SAS	PERMANENTE DE OCCIDENTE	25	1 299 965	4
2021	LATIN WORLDTech SAS	PERMANENTE INTL DEL VALLE DE ABURRA	18	927 690	4
2021	MITAYOS ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	850	39 469 014	170
2021	OLCASTA GOLDEN SAS	PERMANENTE DE OCCIDENTE	2	112 871	3
2021	OSPREY METALS SAS	RIONEGRO – MEDELLIN	4 780	238 288 207	1 084
2021	SANCUS ZFS SAS	PERMANENTE SANTANDER – FLORIDABLANCA	216	10 513 077	48
2021	SIME GROUP REFINERY SAS	PERMANENTE ZOFRANDINA	86	4 621 869	5
2021	STEEMA ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	88	4 296 114	6
2021	TECNICAS MINERAS DE COLOMBIA SAS	PACIFICO – CALI	115	5 270 679	33
2022	7947 INDUSTRY SAS	RIONEGRO – MEDELLIN	1	42 006	1
2022	FUNDICIÓN RAMIREZ ZF SAS	PALMASECA – CALI	865	43 889 541	289
2022	GEO METALS SAS	RIONEGRO – MEDELLIN	123	6 552 302	21
2022	GRUPO ALTEA SAS	RIONEGRO – MEDELLIN	106	6 025 821	29
2022	INGOTCOL SAS	RIONEGRO – MEDELLIN	83	4 940 877	6
2022	KUBERA GROUP SAS	PERMANENTE DE OCCIDENTE	13	640 285	2
2022	MITAYOS ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	240	11 212 344	44
2022	OSPREY METALS SAS	RIONEGRO – MEDELLIN	1 373	71 224 160	335
2022	STEEMA ZONA FRANCA SAS	PERMANENTE INTL DEL VALLE DE ABURRA	25	1 222 000	2
2022	TECNICAS MINERAS DE COLOMBIA SAS	PACIFICO – CALI	16	752 643	4

Source: SICEX and Panjiva.

# References

- Acosta Guzmán, Mayelin, (2022), "Exportaciones Zonas Francas podrían alcanzar USUSD 8 mil millones en 2022," Hoy, 18 April 2022, <https://hoy.com.do/exportaciones-zonas-francas-podrian-alcanzar-us8-mil-millones-en-2022/>.
- Actualícese, (2021), "Zonas francas: ¿cuáles son las novedades planteadas por el Decreto 278 de 2021?," 26 March 2021, <https://actualicese.com/zonas-francas-cuales-son-las-novedades-planteadas-por-el-decreto-278-de-2021/>.
- Angurini, Tom Brian, (2021) "93 percent of free zones exports is gold, says report," Monitor, 24 December 2021, <https://www.monitor.co.ug/uganda/business/markets/93-percent-of-free-zones-exports-is-gold-says-report-3663162?view=htmlamp>.
- AP (Associated Press), (2021), "Panama uncovers extensive presence of Colombian cartel," AP News, 6 December 2021, <https://apnews.com/article/colombia-caribbean-arrests-panama-panama-city-334e402af96827d1385a226af0d54aca>.
- Alianza editorial El Espectador-Connectas, (2021), "Las sociedades offshore de Said Kamle, acusado de lavar dinero con oro ilegal," Connectas, 2021, <https://www.connectas.org/pandora-papers-said-kamle/>.
- Autoridad Nacional de Aduanas, República de Panamá, (2020), "Interfaz SIGA-DMCE: Presentación de las Mejoras al Systema SIGA," [https://www.ana.gob.pa/w\\_ana/images/ANA\\_pdf/pag\\_princ\\_pdf/Usuarios\\_SIGA\\_DMCE.pdf](https://www.ana.gob.pa/w_ana/images/ANA_pdf/pag_princ_pdf/Usuarios_SIGA_DMCE.pdf).
- AZFA (Asociación de Zonas Francas de las Américas), (2020), Book Estadístico de las Zonas Francas 2020, [https://www.media.asociacionzonasfrancas.org/media/publications/files/Proyecto\\_Book\\_Estadpercent ageC3%ADstico\\_1.pdf](https://www.media.asociacionzonasfrancas.org/media/publications/files/Proyecto_Book_Estadpercent ageC3%ADstico_1.pdf).
- Bargent, James, and Michael Norby, (2015), "Blood gold: From conflict zones in Colombia to jewellery stores in the US," Al Jazeera America, 18 November 2015, <http://america.aljazeera.com/articles/2015/11/18/blood-gold-colombia.html>.
- Bodzin, Steven, (2015), "The mysterious winners of a USD 644 million arbitration against PDVSA," Setty's Notebook, 14 July 2014/21 October 2015, <https://settysoutham.wordpress.com/2014/07/14/the-mysterious-winners-of-a-644-million-arbitration-against-pdvsa/>.
- Bourdillon, Rémy, (2018), "Canadian company leaves dust and debt after abandoning its gold mine in Panama," National Observer, 11 January 2018, <https://www.nationalobserver.com/2018/01/11/news/canadian-company-leaves-dust-and-debt-after-abandoning-its-gold-mine-panama>.
- Businesswire, (2021), "Kinesis Money Partners With Atlas Vaults and Atlas Brokers in Latin America," 27 October 2021, <https://www.businesswire.com/news/home/20211027005487/en/Kinesis-Money-Partners-With-Atlas-Vaults-and-Atlas-Brokers-in-Latin-America>.
- Caracol, (2015), "La verdadera historia del lavado de activos a través de la minería ilegal," Caracol,

- 16 January 2015, [https://caracol.com.co/radio/2015/01/16/judicial/1421404\\_800\\_590647.html](https://caracol.com.co/radio/2015/01/16/judicial/1421404_800_590647.html).
- Cárdenas, Hugo, (2021), “El jugoso negocio del oro ilegal colombiano,” El Pais, 2021, <https://www.elpais.com.co/judicial/el-jugoso-negocio-del-oro-ilegal-colombiano.html>.
- Casado, Teresa, (2021), “Red de lavado caso Larva vinculada a droga, fraude y hechos de sangre,” Del Día, 1 November 2021, <https://eldia.com.do/red-de-lavado-caso-larva-vinculada-a-droga-fraude-y-hechos-de-sangre/>.
- Castilla C., Óscar, Nelly Luna Amancio, and Fabiola Torres López, (2015), “Oro sucio: la pista detrás del London Bullion Market,” Ojo Publico, 9 June 2015, <https://ojo-publico.com/especiales/oro-sucio-la-pista-detras-del-london-bullion-market/>.
- Central America Data, (2019), “Ventanilla Única para Zona Libre de Colón,” 8 April 2019, [https://centralamericadata.com/es/article/home/Ventanilla\\_nica\\_para\\_Zona\\_Libre\\_de\\_Coln](https://centralamericadata.com/es/article/home/Ventanilla_nica_para_Zona_Libre_de_Coln).
- CEPAL, (2016), “Flujos financieros ilícitos en los países andinos: Una mirada al sector minero,” Documentos de Proyecto, CEPAL, December 2016, <https://www.cepal.org/es/publicaciones/40857-flujos-financieros-ilicitos-paises-andinos-mirada-al-sector-minero>.
- Cision, (2022), “Aris Gold To Become Operator of the Soto Norte Gold Project in Colombia,” Newswire.ca, 21 March 2022, <https://www.newswire.ca/news-releases/aris-gold-to-become-operator-of-the-soto-norte-gold-project-in-colombia-880019463.html>.
- CNZFE (Consejo Nacional de Zonas Francas de Exportación), (2021), “Informe Estadístico Zonas Francas 2020,” ADOZONA, 2021, <https://adozona.org/docs/informe-estadistico-CNZFE-2020B.pdf>.
- Congreso de la República de Colombia, (2022), “Ley 2 250 de 2022: Formalización,” Asociación Colombiana de Minería, April 2022, <https://acmineria.com.co/acm/wp-content/uploads/2022/07/Ley-2250-de-2022-Formalizacion.pdf>.
- Council of the European Union (2022), “EU list of non-co-operative jurisdictions,” <https://www.consilium.europa.eu/en/policies/eu-list-of-non-co-operative-jurisdictions/>.
- Connectas, (2021), “El realismo mágico del oro colombiano,” Connectas and El Pais, 2021, <https://www.connectas.org/especiales/colombia-comercio-ilegal-oro/>.
- Daily Express, (2021), “Free Trade Zones are havens for illicit trade,” 2 March 2021, [https://trinidadexpress.com/press-releases/free-trade-zones-are-havens-for-illicit-trade/article\\_e1b95fae-7b5c-11eb-adeb-ef6744b3336f.html](https://trinidadexpress.com/press-releases/free-trade-zones-are-havens-for-illicit-trade/article_e1b95fae-7b5c-11eb-adeb-ef6744b3336f.html).
- DANE (Departamento Administrativo Nacional de Estadística), (2022), “Colombia – Zonas Francas – ZF – 2018-22,” [http://microdatos.dane.gov.co/index.php/catalog/543/get\\_microdata](http://microdatos.dane.gov.co/index.php/catalog/543/get_microdata).
- DANE, (2022), “Acceso a información zonas francas,” letter to author, 5 July 2022.
- Deloitte, (2016), “Colon Free Zone reorganised and modified,” Tax at Hand, Deloitte, 7 April 2016, <https://www.taxathand.com/article/7349/Panama/2016/Colon-Free-Zone-reorganised-and-modified>.
- DIAN, (2016), Caracterización del Régimen de Zonas Francas en Colombia, Co-ordinación de Estudios Económicos, Subdirección de Gestión de Análisis Operacional Dirección de Gestión Organizacional, Documento Web 063, 28 November 2016, <https://www.dian.gov.co/dian/cifras/Cuadernos%20de%20Trabajo/CaracterizacippercentageC3%B3n%20del%20percentageC3%A9gimen%20de%20zonas%20francas%20en%20Colombia.pdf>.
- Dominican Republic Free Zones, (no date) “Jewellery,” <https://drfreezones.com/jewellery/>, retrieved on 11 August 2022
- Dominican Republic Free Zones, (no date) “Our Structure,” <https://drfreezones.com/structure/>, retrieved on 11 August 2022
- Dominican Today, (2019), “Dominican Republic at centre of US hunt for Venezuelan fugitive,” Dominican Today, 14 May 2019, <https://dominantoday.com/dr/local/2019/05/14/dominican-republic-at-centre->



- [of-us-hunt-for-venezuelan-fugitive/](#).
- Ebus, Bram, (2019), "The Caribbean gold laundromat," Infoamazonia, 2019, <https://smugglersparadise.infoamazonia.org/story/caribbean-crossroads>.
- El Espectador, (2015), "Pide investigar otra empresa por lavado de activos a través de exportación de oro," El Espectador, 4 February 2015, <https://www.elespectador.com/politica/piden-investigar-otra-empresa-por-lavado-de-activos-a-traves-de-exportacion-de-oro-article-541936/>.
- El Universal, (2022), "Zona Franca de Ley Común crearían Cartagena y Dubái," 12 May 2022, <https://www.eluniversal.com.co/economica/zona-franca-de-ley-comun-crearian-cartagena-y-dubai-NB6542719>.
- En Segundos, (2018), "Desmantelan red de contrabando de oro y plata entre Panamá y Colombia," 20 September 2018, <https://ensegundos.com.pa/2018/09/20/desmantelan-red-de-contrabando-de-oro-y-plata-entre-panama-y-colombia/>.
- En Segundos, (2019), "Desarticulan organización que traficaba oro entre Panamá y Colombia," 23 August 2019, <https://ensegundos.com.pa/2019/08/23/desarticulan-organizacion-que-trafficaba-oro-entre-panama-y-colombia/>.
- FATF, (2010), "Money Laundering vulnerabilities of Free Trade Zones," March 2010, <https://www.fatf-gafi.org/media/fatf/documents/reports/ML%20vulnerabilities%20of%20Free%20Trade%20Zones.pdf>.
- FATF, (no date), "What is money laundering?" FATF FAQ, <https://www.fatf-gafi.org/faq/moneylaundering/>.
- Ferreira, Daniel, (2018), "Sobre Santurbán: el páramo, desesperadamente," El Espectador, 28 March 2018, <https://www.elespectador.com/el-magazin-cultural/sobre-santurban-el-paramo-desesperadamente-article-747030/>.
- Fiscalía General de la Nación, (2019), "2.4 billones de pesos fueron blanqueados en operaciones ficticias de compra y venta de oro," 11 April 2019, <https://www.fiscalia.gov.co/colombia/noticias/2-4-billones-de-pesos-fueron-blanqueados-en-operaciones-ficticias-de-compra-y-venta-de-oro/>.
- Fiscalía General de la Nación, (2021), "Operación estructural contra las redes señaladas de lavar millonarias sumas de dinero mediante la exportación de oro obtenido en minería ilegal," 15 April 2021, <https://www.fiscalia.gov.co/colombia/fiscal-general-de-la-nacion/operacion-estructural-contra-las-redes-senaladas-de-lavar-millonarias-sumas-de-dinero-mediante-la-exportacion-de-oro-obtenido-en-mineria-ilegal/>.
- Función Pública, (1991), Ley 9 de 1991, [funcionpublica.gov.co](http://funcionpublica.gov.co), <https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=80013>, n.d.
- Función Pública, (1992), Ley 31 de 1992, [funcionpublica.gov.co](http://funcionpublica.gov.co), <https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=80013>, n.d.
- Gafilat, (2018a), "Mutual Evaluation Report of Dominican Republic," 2018, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/GAFILAT-MER-Dominican-Republic-2018.pdf>.
- Gafilat, (2018b), "Mutual Evaluation Report of the Republic of Panama," 2018, <https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/panama/evaluaciones-mutuas-12/1264-mutual-evaluation-report-of-panama/file>.
- Gafilat, (2019), "Second Enhanced Follow-up Report on Panama," August 2019, Gafilat, (2022), "Sixth Enhanced Follow-Up Report and First Technical Compliance Re-rating Report of Colombia," January 2022, <https://gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/traduccion/4230-6th-enhanced-follow-up-report-and-1st-re-rating-report-of-colombia-1/file>.
- Georgia Tech, (2022), Panama Logistics Innovation and Research Center, Georgia Institute of Technology, 2022, <https://logistics.gatech.pa/en/>.
- GFI (2021), "The Gold Standard: Addressing Illicit Financial Flows in the Colombian Gold Sector through

- Greater Transparency,” Global Financial Integrity, February 2021, <https://gfintegrity.org/report/the-gold-standard-addressing-illicit-financial-flows-in-the-colombian-gold-sector-through-greater-transparency/>.
- GFI, (2019), “Illicit Financial Flows & Colombia,” GFI, October 2019, <https://gfintegrity.org/report/illicit-financial-flows-colombia/>.
- González C., Leadimiro, (2022), “Extranjero muere al caer de edificio,” El Siglo, 6 April 2022, <http://elsiglo.com.pa/cronica-roja/extranjero-muere-caer-edificio/24197778>.
- González Escandon, Maria Monica, (2018), “Capturan banda señalada de exportar oro ilegal,” RCN Radio, 13 October 2018, <https://www.rcnradio.com/colombia/pacifico/capturan-banda-senalada-de-exportar-oro-ilegal>.
- González Gaitan, José Andrés, (2022), “Cero y van dos: Jueza tumba proceso contra supuestos lavadores de dinero con oro,” Caracol Radio, 14 February 2022, [https://caracol.com.co/radio/2022/02/14/judicial/1644819%20885\\_011537.html](https://caracol.com.co/radio/2022/02/14/judicial/1644819%20885_011537.html).
- Government of Brazil (2021), “Nove meses da Operação Verde Brasil 2” <https://www.gov.br/ptbr/noticias/meio-ambiente-e-clima/2021/02/nove-meses-da-operacao-verde-brasil-2>
- Guzmán Ariza, (1990), Attorneys at Law, Law N° 8-90 on the Promotion of Free Zones, Official Gazette 9775, 15 January 1990, <https://drlawyer.com/law-no-8-90-promotion-free-zones-official-gazette-9775-january-15-1990/>, n.d.
- Guzmán Saladin, Alfredo A., (2018), “Dominican Republic: New Dominican Money Laundering Law No. 155-17,” Mondaq, 9 March 2018, <https://www.mondaq.com/money-laundering/681286/new-dominican-money-laundering-law-no-155-17>.
- Emily Hart, (2022), “Colombia’s violent struggle for lasting peace,” Prospect, 16 June 2022, <https://www.prospectmagazine.co.uk/essays/colombias-violent-struggle-for-lasting-peace>.
- Hausmann, Ricardo, Juan Obrach, and Miguel Angel Santos, (2017), “Special Economic Zones in Panama: Technology spillovers from a labor market perspective,” Working Paper, Center for International Development, Harvard University, 2017, <https://growthlab.cid.harvard.edu/publications/special-economic-zones-panama>.
- Hilaire, Valentine, and Elida Moreno, (2022), “Panama passes bill to permit use of crypto assets,” Reuters, 28 April 2022, <https://www.reuters.com/world/americas/panama-lawmakers-pass-bill-regulate-use-crypto-assets-2022-04-28/>.
- Hub News, (2020), “Se ultiman detalles para la interfaz SIGA-DMCE,” 18 September 2020, <https://www.hub.com.pa/se-ultiman-detalles-para-la-interfaz-siga-dmce/>.
- IISD (International Institute for Sustainable Development), (2020), “Evaluación del Marco de Políticas Mineras: Panamá”, <https://www.iisd.org/system/files/2021-01/panama-mining-policy-framework-assessment-es.pdf>.
- INL (Bureau of International Narcotics and Law Enforcement Affairs), (2022), International Narcotics Control Strategy Report, Vol. II: Money Laundering, United States Department of State, 2022, <https://www.state.gov/2022-incsr-volume-ii-money-laundering-as-submitted-to-congress/>.
- InSight Crime, (2021), “The Cocaine Pipeline to Europe,” February 2021, <https://insightcrime.org/investigations/cocaine-pipeline-europe/>.
- ITA, (2021), “Panama Special Economic Zones,” International Trade Administration, United States Department of Commerce, 23 March 2021, <https://www.trade.gov/market-intelligence/panama-special-economic-zones>.
- KPMG, (2022), “Reglamentación de Registro de Beneficiario Final,” Information Letter, April 2022, <https://home.kpmg/pa/es/home/insights/2022/04/ci-reglamentacion-de-registro-de-beneficiario-final.html>

- KPMG, (2021), "Panama: Investment Guide," 2021, <https://assets.kpmg/content/dam/kpmg/pa/investment-in-central-america/EN-Panama-Investment.pdf>.
- Kraul, Chris, and Sebastian Rotella, (2008), "Drug probe finds Hezbollah link," Los Angeles Times, 22 October 2008, <https://www.latimes.com/archives/la-xpm-2008-oct-22-fg-cocainering22-story.html>.
- Legal Information Institute, (no date), 31 CFR § 1027.210 – Anti-money laundering programs for dealers in precious metals, precious stones, or jewels, Cornell Law School, nd, <https://www.law.cornell.edu/cfr/text/31/1027.210>.
- Lehmann, John, (2003), "Colombia Gold – N.Y. Jewelers Molded Metal for Drug Lords: Feds," New York Post, 6 June 2003, <https://nypost.com/2003/06/06/colombian-gold-n-y-jewelers-molded-metal-for-drug-lords-feds/>.
- Logistics Cluster, (no date), "Dominican Republic Customs Information," <https://dlca.logcluster.org/display/public/DLCA/1.3+Dominican+Republic+Customs+Information>, n.d.
- Low, Peter, "Beneficial ownership: Progress in Colombia," Open Ownership, 2 February 2022, <https://www.openownership.org/en/blog/beneficial-ownership-progress-in-colombia/>.
- Maxwell, Evan Lowell, (1990), "Gold, Drugs, and Clean Cash: Colombians Sent Tons of Dirty Cocaine Money to the Los Angeles Jewellery District. USD 1.2 Billion Came Out Spotless," Los Angeles Times, 18 February 1990, <https://www.latimes.com/archives/la-xpm-1990-02-18-tm-1685-story.html>.
- McNabb, Denise, (2018), "French fraudster Fabien Gaglio, a homeless man in Latvia, the infamous Geoffrey Taylor & New Zealand shell companies," Interest, 8 March 2018, <https://www.interest.co.nz/business/92502/french-fraudster-fabien-gaglio-homeless-man-latvia-infamous-geoffrey-taylor-new>.
- Medina Bernal, Javier Lautaro, et al., (2019), "Gold Mining and local communities in Southern Córdoba in Colombia, the case of El Alacrán mine," ALBOAN Foundation, 2019, <https://www.tecnologialibredeconflicto.org/wp-content/uploads/documentos/ALBOAN-MineriaColombia-en.pdf>.
- Mercado, Jimeno, (2020), "Royal Gold: Una historia policial de Oro, Terrorismo y Estafas," Cabildeo Digital, 28 February 2020, <http://www.cabildeodigital.com/2020/02/royal-gold-una-historia-policial-de-oro.html?m=1>.
- Meyer, Josh, (2017), "The Secret Backstory of how Obama let Hezbollah off the hook," Politico, 2017, <https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>.
- MinCIT (Ministerio de Comercio, Industria y Turismo de Colombia), (2014), "Régimen de Zonas Francas," presentation, 2014, <https://www.mincit.gov.co/CMSPages/GetFile.aspx?guid=42cbdea9-d4ea-4ec6-90ed-e7f02d622b03>.
- Mundo, (2022), "Unique opportunity to enter an exclusive investment: Gold bond in Panama," 20 March 2022, <https://mundo.expert/en/BlogNews/Article/11401>.
- Mundo, (2020), "Opportunity in Panama: company in a special free trade zone plus gold storage," 10 August 2020, <https://mundo.expert/en/BlogNews/Companyinaspecialzoneplusgoldstorage>.
- Negrón, Ana Cristina, (2018), "Panama: Panama Pacifico and Colon Free Trade Zone," Mondaq, 17 July 2018, <https://www.mondaq.com/international-trade-investment/720064/panama-pacifico-and-colon-free-trade-zone>.
- O'Donnell, Santiago, (1999), "Lazos de Yabrán con la familia Escobar," La Nación, 8 December 1999, <https://www.lanacion.com.ar/sociedad/lazos-de-yabran-con-la-familia-escobar-nid164127/>.
- OECD (2022a), "Responsible Business Conduct in the Extractive and Minerals Sector in Latin America and the Caribbean", OECD Publishing, Paris <https://mneguidelines.oecd.org/responsible-business-conduct-in-the-extractive-and-minerals-sector-in-latin-america-and-the-caribbean.pdf>.
- OECD (2022b), OECD Responsible Business Conduct Policy Reviews: Brazil, OECD Publishing, Paris <https://mneguidelines.oecd.org/oecd-responsible-business-conduct-policy-reviews-brazil.pdf>.

- OECD, (2021a), "Gold Flows from Venezuela: Supporting due diligence on the production and trade of gold in Venezuela," 2021, <https://mneguidelines.oecd.org/gold-flows-from-venezuela-supporting-due-diligence.htm>.
- OECD (2021b), Frequently Asked Questions: How to address bribery and corruption risks in mineral supply chains <https://mneguidelines.oecd.org/faq-how-to-address-bribery-and-corruption-risks-in-mineral-supply-chains.pdf>
- OECD, (2020), "Production Transformation Policy Review of the Dominican Republic: Preserving Growth, Achieving Resilience," 2020, <https://www.oecd.org/dev/production-transformation-policy-review-of-the-dominican-republic-1201cfea-en.htm>.
- OECD, (2019), "OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones," 2019, <https://www.oecd.org/gov/risk/recommendation-enhancing-transparency-free-trade-zones.htm>.
- OECD (2018a), "Enforcement Challenges in Countering Illicit Trade in Free Trade Zones (FTZ)", in Governance Frameworks to Counter Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-6-en>.
- OECD, (2018b), "Due Diligence in Colombia's Gold Supply Chain: Where does Colombian gold go?," 2018, <https://www.oecd.org/corporate/Where-does-Colombian-Gold-Go-EN.pdf>.
- OECD, (2017), "Due diligence in Colombia's gold supply chain", 2017, <https://mneguidelines.oecd.org/colombias-gold-supply-chain.htm>.
- OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252479-en>.
- OAS (Organization of American States) (2022a), "Tras el dinero del oro ilícito: Fortalecimiento de la lucha contra las finanzas de la minería ilegal: El caso de Colombia", Organization of American States (OAS), Secretariat for Multidimensional Security. Department against Transnational Organised Crime, February 2022, <https://www.oas.org/es/sms/ddot/docs/Tras-el-dinero-del-oro-ilicito-El-caso-de-Colombia.pdf>.
- OAS (2022b), Typologies and Red Flags Associated to Money Laundering from Illegal Mining, ISBN 978-0-8270-7429-3, Organization of American States. Secretariat for Multidimensional Security. Department against Transnational Organised Crime, <https://www.oas.org/en/sms/dtoc/docs/DOC-TYPOLOGIES-AND-RED-FLAGS-ILLEGAL-MINING-ENG.pdf>.
- Orozco, Jose, (2022), "Panama President Partially Vetoes Crypto Bill: Linea," Bloomberg Tax, 16 June 2022, <https://news.bloomberglaw.com/crypto/panama-president-partially-vetoes-crypto-bill-linea?context=article-related>.
- Posse Herrera Ruiz, (2021), "Legal Guide to do Business in Colombia 2021," <https://news.bloomberglaw.com/crypto/panama-president-partially-vetoes-crypto-bill-linea?context=article-related>.
- Pacheco, Ibéyise. (2022), "El regimen saquea un nuevo Tesoro," Diario Las Americas, 22 June 2022, <https://www.diariolasamericas.com/opinion/el-regimen-saquea-un-nuevo-tesoro-n4251548>.
- Panama Pacifico, (2022), "Regime of the Special Economic Area for companies in Panama," 2022, <https://www.panamapacifico.com/comercial/>.
- Perez G., Rafael, (2007), "Juicio por caso 'Divino Niño,'" La Prensa, 21 December 2007, [https://www.prensa.com/politica/Juicio-caso-Divino-Nino\\_0\\_2183031753.html](https://www.prensa.com/politica/Juicio-caso-Divino-Nino_0_2183031753.html).
- Peyronnen, Henry, (2021), "Due Diligence in Minerals Supply Chains: Tracing Gold from the Peruvian Amazon to Downstream Buyers," C4ADS, 12 July 2021, <https://c4ads.org/blogposts/due-dilligence-minerals-supply-chains>.
- Portafolio, (2016), "Así ingresaba a Colombia textiles de contrabando el cartel de Sinaloa," Portafolio,

- 27 July 2016, <https://www.portafolio.co/economia/cartel-de-sinaloa-ingresaba-textiles-de-contrabando-a-colombia-499121>.
- Portafolio, (2021), “Colombia modifica su régimen de zonas francas,” 15 March 2021, <https://www.portafolio.co/economia/colombia-modifica-su-regimen-de-zonas-francas-550078>.
- Portafolio, (2014), “Investigan operadores de oro por presunto lavado de activos,” 26 May 2014, <https://www.portafolio.co/economia/finanzas/investigan-operadores-oro-presunto-lavado-activos-53670>.
- Porter, Kenneth, (2020), “Artisanal Gold Mining Communities Are on the Verge of a Crisis – The View from Choco, Colombia” Artisanal Gold Council, 6 April 2020, <https://www.artisanalgold.org/2020/04/artisanal-gold-mining-communities-are-on-the-verge-of-a-crisis-the-view-from-choco-colombia/>.
- Redacción Judiciales, (2021), “El lavado de activos vale oro para el ‘Clan del Golfo,’” El Heraldó, 3 June 2021, <https://www.elheraldo.co/judicial/el-lavado-de-activos-vale-oro-para-el-clan-del-golfo-822541>.
- Rendón, Olga Patricia, (2019), “Fiscalía está tras red ilegal de oro,” El Colombiano, 12 April 2019, <https://www.elcolombiano.com/colombia/fiscalia-esta-tras-red-ilegal-de-oro-LH10534807>.
- Ruiz Leautaud, Valentina, (2021), “Minesa to reapply for environmental license in Colombia,” Mining.com, 28 February 2021, <https://www.mining.com/minesa-to-reapply-for-environmental-license-in-colombia/>.
- RUSI (Royal the United Services Institute for Defence and Security Studies), (2020), Improving Governance and Tackling Crime in Free-Trade Zones, October 2020, <https://rusi.org/explore-our-research/publications/occasional-papers/improving-governance-and-tackling-crime-free-trade-zones>.
- Schmidt, Blake, (2015), “Mubadala Acquires Colombian Gold Mine AUX Once Owned by Batista,” Bloomberg, 12 February 2015, <https://www.bloomberg.com/news/articles/2015-02-12/mubadala-acquires-colombian-gold-mine-aux-once-owned-by-batista>.
- Semana, (2021), “El cartel del oro: judicializan a 20 personas que habrían lavado más de 1.3 billones de pesos,” 24 November 2021, <https://www.semana.com/nacion/articulo/el-cartel-del-oro-judicializan-a-20-personas-que-habrian-lavado-mas-de-13-billones-de-pesos/202100/>.
- Soud, Dr. David, (2020), Downstream Oil Theft: Countermeasures and Good Practices, The Atlantic Council, May 2020, [https://www.atlanticcouncil.org/wp-content/uploads/2020/05/AC\\_OilTheft-Final-1.pdf](https://www.atlanticcouncil.org/wp-content/uploads/2020/05/AC_OilTheft-Final-1.pdf).
- Springe, Inge, and Graham Stack, (2020), “Behind the Proxies,” OCCRP, 14 March 2012, <https://www.occrp.org/en/the-proxy-platform/behind-the-proxies>.
- Tico Times, (2022), “Panama asks EU for support to get off ‘tax haven’ list,” AFP, 3 May 2022, <https://ticotimes.net/2022/05/03/panama-asks-eu-for-support-to-get-off-tax-haven-list>.
- TJN (Tax Justice Network), (2022), “Financial Secrecy Index 2022,” 2022, <https://fsi.taxjustice.net/>.
- Transparency International, (2021), “Panama: Corporate Service Providers Still Guarding Anonymous Companies,” 30 September 2021, <https://www.transparency.org/en/news/panama-corporate-service-providers-beneficial-ownership-panama-papers>.
- UNODC, (2021), “Colombia: Explotación de oro de aluvión – Evidencias a partir de percepción remota 2020”, July 2021, [https://www.unodc.org/documents/colombia/2021/Julio/EVOA\\_2020\\_Web.pdf](https://www.unodc.org/documents/colombia/2021/Julio/EVOA_2020_Web.pdf).
- UNCTAD, (2019), World Investment Report 2019: Special Economic Zones, August 2019, <https://unctad.org/webflyer/world-investment-report-2019>.
- Vanguardia, (2022), “Emiratos Árabes se acerca a Santander a través de la Zona Franca,” 26 April 2022, <https://www.vanguardia.com/economia/local/emiratos-arabes-se-acerca-a-santander-a-traves-de-la-zona-franca-AC5127057>.

- van Uhm, Daan, (2020), "The Diversification of Organised Crime into Gold Mining: Domination, Crime Convergence, and Ecocide in Darién, Colombia," in *Illegal Mining: Organised Crime, Corruption, and Ecocide in a Resource-Scarce World*, ed. Yuliya Zabyelina and Daan van Uhm, Palgrave Macmillan, 2020.
- Weaver, Jay, Nicholas Nehamas, Jim Wyss, and Kyra Gurney, (2021), *Dirty Gold: The Rise and Fall of an International Smuggling Ring*, New York: Public Affairs, 2021.
- World Bank, (2016), "Illicit Activity and Money Laundering from an Economic Growth Perspective: A Model and an Application to Colombia," Policy Research Working Paper 7578, 2016, <https://openknowledge.worldbank.org/bitstream/handle/10986/23917/Illicit0activi0lication0to0Colombia.pdf?sequence=1&isAllowed=y>.
- WCO (World Customs Organization), (2019), "'Extraterritoriality' of Free Zones: The Necessity for Enhanced Customs Involvement," WCO Research Paper No. 47, September 2019, [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/research/research-paper-series/47\\_free\\_zones\\_Customs\\_involvement\\_omi\\_en.pdf](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/research/research-paper-series/47_free_zones_Customs_involvement_omi_en.pdf).
- WCO, (2020), Practical Guidance on Free Zones, December 2020, [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/free-zone/wco-fz-guidance\\_en.pdf](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/free-zone/wco-fz-guidance_en.pdf)
- WCO, (2008), "Text of the Revised Kyoto Convention," April 2008, World Customs Organization, [http://www.wcoomd.org/Topics/Facilitation/Instrument%20and%20Tools/Conventions/pf\\_revised\\_kyoto\\_conv/Kyoto\\_New](http://www.wcoomd.org/Topics/Facilitation/Instrument%20and%20Tools/Conventions/pf_revised_kyoto_conv/Kyoto_New).
- World Gold Council, (2022), "Global mine production by country," Goldhub, 2022, <https://www.gold.org/goldhub/data/gold-production-by-country>.
- WTO (World Trade Council), (2021), Trade Policy Review, Reported by the Secretariat: Panama," 13 December 2021, [https://www.wto.org/english/tratop\\_e/tpr\\_e/tp521\\_e.htm](https://www.wto.org/english/tratop_e/tpr_e/tp521_e.htm).
- Wyss, Jim, and Kyra Gurney, (2018), "Dirty Gold is the New Cocaine in Colombia: And It's Just as Bloody," *Miami Herald*, 16 January 2018, <https://www.miamiherald.com/news/nation-world/world/americas/colombia/article194188034.html>.
- Zabyelina, Yuliya, and Lilla Heins, (2020), "All that Glitters: Money Laundering Through Precious Metals and Minerals," in *Illegal Mining: Organised Crime, Corruption, and Ecocide in a Resource-Scarce World*, ed. Yuliya Zabyelina and Daan van Uhm, Palgrave Macmillan, 2020.
- Zona Franca Rionegro, (no date) "Sistema De Información De Zonas Francas," <https://www.zonafrancarionegro.com/sizfra-historia>.







Co-funded by  
the European Union