Press Release

Following the Money Trail in Central America: Money laundering and its implications on regional security

By: The Central American Network of Think Tanks and Advocacy, la Red.

LaRED presents its most recent regional study on money laundering, on what it means, how it operates and what damages it causes to our economies and institutions, as well as it presents options on how to try to stop it and counteract it. Since the laundering of assets does not yield torrents of blood, it is perhaps the less noticed element in the chain of illegalities of organized crime. But it is the indispensable step for the criminal networks to be able to enjoy their illegal winnings and corrupt our economic and financial, both public and private institutions. But also, following the money trail is one of the most important legal handles to combat organized crime in the Central American Isthmus.

Derived from the recommendation made in the last study of laRED on organized crime in Central America (2011), a new investigation developed, which aims at highlighting the complex struggle to abate money laundering in most of the Central American countries, within societies in which for the common citizen, this criminal activity might seem invisible and only be of concern for the authorities responsible for banking supervision; even outside the Central American borders where the phenomenon would seem to be of concern for the risks it poses to monetary stability and not for the threats it poses for Central American institutions, governance security.

Money laundering per se, or the so-called "legitimization of capitals" is an activity that does not yield blood, bodies or strident violence deeds, although it does have an *immense corrupting power in the Central American societies and institutions.* The preceding crimes (among which the three most important are: drug sale, corruption of public authorities and tax evasion) generate the need to launder their winnings in the Central American productive and financial systems, creating networks of processes and laundering enterprise that corrupt a large number of activities as well as public and private institutions, causing effects such as slow development non-governance, distortion of markets, discouragement for undertaking legal productive activities.

The Central American countries in view of their size and still with fragile institutions and systems, suffer from a constant drain of public resources in order to combat crime and citizen's insecurity as part of a fight against drug trafficking; drugs, the production of which –it is not until recently that some traces have been detected about the existence of clandestine labs- and consumption that did not take place in the region, but which have implied to allocate funds for the combat and control of drug trafficking and deduct important resources from other development issues, and even some issues of citizens' security, which are important for Central Americans.

Therefore, **"following the money trail"** paying attention and developing skills in the area of money laundering, concentrates efforts where it hurts the most to the transnational criminal organizations of any kind; the possibility of enjoying their winnings, once they have been legitimized. Following the money trail through numbers

and operations that can be TRACEABLE and VERIFIABLE can contribute as efficient actions to prevent illegality and the infection of the Central American economies and political systems, which at the same time, can be associated to other operations to strengthen justice and security, both nationally and regionally in strategic areas   for abatement of money laundering, such as prevention, detection, investigation and judgment, as pointed out in the study.

The Central American countries can hardly abate money laundering on their own, because coordinated actions are required in the regional level in order to efficiently "follow the money trails", thus it is unavoidable to have a regional policy and strategy to strengthen the cooperation mechanisms proposed by international conventions for the exchange of financial information, but also the development of other tools that will enable this combat departing from a systematic approach that addresses causes and solutions in the local, national and regional levels, and addresses the different sectors in each country: public and regional institutions, politicians, entrepreneurs, academia, the media.

In this sense, it is especially important to count with the necessary information to enable the design of an efficient policy; in the frame of this study, the enormous difficulties faced to obtain reliable and publicly verifiable information on concrete deeds directly related to money laundering must be highlighted, thus it has been very difficult to measure the size and scope of these illegal activities and their true impact on the legitimate universe of our economies. It is suggested that this information be possible to establish in order to design a policy of prevention for the preceding crimes under an inverted logic utilized for legal businesses and commerce, that means it is necessary to generate adverse conditions for the investment of capitals coming from illegal activities (money laundering, drugs, weapons and crime) so that there is less profitability and greater risks with the intention of pushing out these capitals. Likewise, in terms of the investigation and prosecution, policies different than those used for common crime must be developed, because the entrepreneurial logic of organized crime to accumulate wealth is different tan the logic of common delinquency which is to redistribute.

Thus, the production of public information such as that generated by the banking institutions is especially important, which keeps the debate alive in several Central American countries on "Bank Secrecy". Equally, debates in the region on reforms to the political and electoral systems are legitimate and necessary in terms of the risk potential or perhaps in fact, the penetration of organized crime in political local and national campaigns.