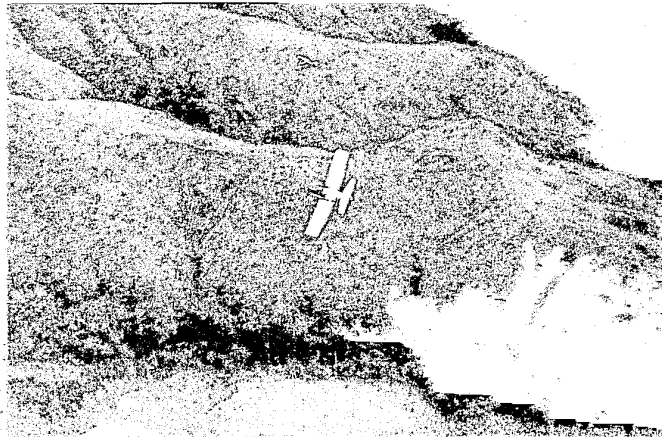


United States Department of Justice  
Federal Bureau of Investigation



# International Narcotics Control Strategy Report

March 1988



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U.S. Department of Justice  
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# INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT

March 1, 1988

to

COMMITTEE ON FOREIGN AFFAIRS

and

COMMITTEE ON FOREIGN RELATIONS

NCJRS

MAY 17 1988

ACQUISITIONS

Submitted by

BUREAU OF INTERNATIONAL NARCOTICS MATTERS

Department of State

(UNCLASSIFIED)

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### ABBREVIATIONS

INM	Bureau of International Narcotics Matters
AID	Agency for International Development
DEA	Drug Enforcement Administration
FBI	Federal Bureau of Investigation
UNFDAC	United Nations Fund for Drug Abuse Control
NDPB	National Drug Policy Board
NNBIS	National Narcotics Border Interdiction System
NNICC	National Narcotics Intelligence Consumers Committee
kg	Kilogram
mt	Metric Ton
ha	Hectare
hcl	Hydrochloride (cocaine)

THE WHITE HOUSE

WASHINGTON

February 29, 1988

Presidential Determination  
No. 88-10

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Certifications for Narcotics Source and Transit  
Countries under P.L. 99-570

By virtue of the authority vested in me by Section 481(h) (2) (A) (i) of the Foreign Assistance Act of 1961, as amended by the Anti-Drug Abuse Act of 1986 (P.L. 99-570), I hereby determine and certify that the following major narcotics producing and/or major narcotics transit countries have cooperated fully with the United States, or taken adequate steps on their own, to control narcotics production, trafficking and money laundering:

The Bahamas, Belize, Bolivia, Brazil, Burma, Colombia, Ecuador, Hong Kong, India, Jamaica, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru and Thailand.

By virtue of the authority vested in me by Section 481(h) (2) (A) (ii) of the Act, I hereby determine that it is in the vital national interests of the United States to certify the following countries:

Laos, Lebanon, and Paraguay.

Information for these countries as required under Section 481(h) (2) (B) of the Act is enclosed.

I have determined that the following major producing and/or major transit countries do not meet the standards set forth in Section 481(h) (2) (A):

Afghanistan, Iran, Panama and Syria.

In making these determinations, I have considered the factors set forth in Section 481(h) (3) of the Act, based on the information in the International Narcotics Control Strategy Report of 1988.

You are hereby authorized and directed to report this determination to the Congress immediately and to publish it in the Federal Register.

*Ronald Reagan*

## JUSTIFICATION FOR CERTIFICATION

### COLOMBIA

Colombia is a major drug producing and transit country. Certification is granted in accordance with Section 481(h)(2)(A)(i) of the Foreign Assistance Act of 1981, as amended by P.L. 99-570.

We believe Colombia has done much unilaterally and bilaterally against drug trafficking, but the power of the Medellin cartel must be broken and steps to do so must be taken, including Colombian resolution of the issue of extradition.

The United States fully recognizes that the Government of Colombia is literally besieged by superbly-armed trafficking and insurgent groups, whose corruption is reportedly spreading in the Americas. As noted in earlier summaries, Colombia has for many years been the most cooperative and important of the Andean governments. At great peril to its officials, too frequently struck down by trafficker-paid assassins, Colombia extradited Carlos Lehder to the U.S., but the Supreme Court subsequently struck down the extradition agreement and in December Jorge Luis Ochoa was released, a sharp disappointment to narcotics officials here and in Colombia. The Government is under both domestic and international pressure to either find a basis for extraditing major traffickers or arrest and prosecute under Colombian law, or both. The United States wants to be as helpful to either process as possible.

The Government is aware that it must also be more forceful in attacking cocaine labs, many of which are protected by insurgent groups as well as by traffickers. In 1987, the Government maintained the effectiveness of its marijuana spraying program in traditional growing areas, and we are gratified by indications that in 1988 the GOC will expand the spraying program to counter production found in new areas, which drove annual totals in the 1988 INCSR up. Colombia continues to cooperate in the search for a herbicide to destroy coca fields, cooperation which is indispensable to the long term solution to coca cultivation.

## JUSTIFICATION FOR CERTIFICATION

### MEXICO

Mexico is a major drug producing and transit country. Certification is granted to Mexico in accordance with Section 481(h)(2)(A)(i) of the Foreign Assistance Act of 1981, as amended by P.L. 99-570.

U.S. officials welcomed the spirit of enhanced bilateral cooperation of the recent Presidential summit, but we also believe Mexico has the capability for far greater achievement in narcotics control. The Department finds that there are important bilateral and multilateral considerations which would be placed at risk should certification be denied, not least of which is the future progress of our joint narcotics control endeavors. A national interest certification has been weighed. The final decision is to recommend full certification, but reiterate that, as President Reagan declared, 1988 should be a year of positive results.

Mexico has improved its marijuana eradication campaign, but opium poppy eradication, while marginally improved in terms of total hectares eradicated, was short of the effort needed to reduce production. The enforcement situation improved with some lab busts and increased seizures. The Mexican Government has increased the commitment of resources to both the Attorney General's program and the military program. But the overall assessment is that Mexico's effort has not kept pace with the increased flow of drugs, and is below the level of efficiency and effect of which it is capable. The trials in the Camarena and Cortez cases remain underway, with Caro Quintero and other defendants incarcerated. The Government has not yet addressed all allegations of official corruption in a systematic fashion. While appreciative of the efforts that have been made, and taking full note of Mexican casualties, the U.S. nevertheless believes that a higher level of cooperation is both possible and necessary.

## JUSTIFICATION FOR NATIONAL INTEREST CERTIFICATION

### LAOS

Laos is a major drug producing country. Certification is granted to Laos in accordance with the vital national interest provision of Section 481(h)(2)(A)(ii) of the Foreign Assistance Act of 1981, as amended by P.L. 99-570.

The Department finds that there are vital national interests which would be placed at risk should certification be denied. This risk has been weighed against the failure of Laos to cooperate fully with the United States on narcotics control or to take adequate steps on its own.

Laos was granted a national interest certification in 1987 on grounds of promised cooperation on the POW/MIA issue despite a failure to adopt any concrete narcotics control measures along with indications that local and military officials were engaged in narcotics trafficking. Lao opium and marijuana production are increasing significantly, and there are multiple reports implicating Communist Party, Lao Army and other officials in managing and facilitating the trade, which is increasingly important to the economy of this cash-poor country. Laos has not accepted offers of U.S. narcotics assistance, nor undertaken any control initiatives but were recently receptive to adding a UNFDAC crop substitution project. There is little prospect for near-term reversal of these trends. There is, however, progress on the POW/MIA issue, with remains and aircraft parts having been recently received by U.S. officials, and pledges of cooperation in early 1988 on joint excavations of crash sites.

Two certifications must be made of Laos, one on March 1 under Sec. 481(h) and another May 1, under Sec. 2013 of P.L. 99-570, which requires reports on corrupt officials and governments. The decision is to grant Laos a national interest certification, under Sec. 481(h), with an understanding that the issue will be revisited May 1. At that time, the dry season will have ended, and the U.S. will have proof (positive or negative) of the promised further cooperation on the POW/MIA issue. Hopefully, such cooperation will be forthcoming, along with strong indications of an intent to pursue narcotics control.

The President has assigned the highest national priority to obtaining the fullest possible accounting for Americans lost in Indochina during the war and has pledged the full resources of the U.S. government to this effort. Relations with Laos are linked to the POW/MIA issue; progress on the issue is viewed as the principal measure of Lao sincerity in desiring to improve relations with the United States. It was POW/MIA dialogue and joint cooperation which provided US opportunities to raise the narcotics question in a serious way.

## JUSTIFICATION FOR NATIONAL INTEREST CERTIFICATION

### LEBANON

Lebanon is a major drug producing country. Certification is granted to Lebanon in accordance with the vital national interest provision of Section 481(h)(2)(A)(ii) of the Foreign Assistance Act of 1981, as amended by P.L. 99-570.

The Department finds that there are vital national interests which would be placed at risk should certification be denied. This risk has been weighed against the failure of Lebanon to cooperate fully with the United States on narcotics control or to take adequate steps on its own.

Opium, heroin and hashish production abound in the Bekaa Valley, with increasing indications of a flourishing trade in cocaine. However, narcotics trafficking and production occur in areas which continue to be controlled by elements of the Syrian military, with indications that various officers and units profit from the trade and protect it. The Government's control over growing areas and transit routes has eroded during the past 12 years of civil strife. As we concluded last year, a comprehensive eradication and interdiction program must await restoration of central government control.

The finding of national interest is unchanged. The United States wants to assist in the re-establishment of peace and stability in Lebanon. Denial of certification would end U.S. assistance to Lebanese government efforts to maintain a professional and well-trained Lebanese Army, a key element in the eventual restoration of government control and stability. U.S. assistance to displaced and injured Lebanese civilians helps minimize the destabilizing effects of continuing civil strife and economic distress.



## JUSTIFICATION FOR NATIONAL INTEREST CERTIFICATION

### PARAGUAY

Paraguay is a major drug producing country. Certification is granted to Paraguay in accordance with the vital national interest provision of Section 481(h)(2)(A)(ii) of the Foreign Assistance Act of 1961, as amended by P.L. 99-570.

The Department finds that there are vital national interests which could be affected should certification be denied. This risk should be weighed against the failure to date of Paraguay to cooperate fully with the United States on narcotics control or to take adequate steps on its own.

Paraguay has again become a major player in international narcotics, with serious allegations that officials at various levels of the government may be profiting from the trade, especially the production of marijuana and transshipment of cocaine. It is also noted, however, that U.S. officials have established good relations with Paraguayan narcotics officials, and have received pledges to cooperate with the recently reopened DEA office in Asuncion. A factor in granting national interest certification is to determine more precisely the scope of the problem and the willingness of Paraguay's officials to cooperate with DEA on drug investigations. It is noted that Paraguay has given drug intelligence to U.S. officials.

Given the allegations of official corruption, the issue of certifying Paraguay will have to be reviewed on May 1 when the President certifies countries under Sec. 2013 of P.L. 99-570. A national interest certification now advises Asuncion that cooperation on narcotics is not adequate, that improvements are needed in the coming year, and that Paraguay's cooperation with DEA will affect the May 1 decision.

While the most immediate national interest in Paraguay is the drug issue itself, there are other U.S. interests, including a desire to sustain the Peace Corps operations, and maintain a program presence that could help encourage a peaceful political transition to a post-Stroessner era.

# INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT

## Executive Summary

March 1, 1988

### I. INTRODUCTION

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with the provisions of Section 481 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2291).

The 1988 INCSR is the second annual report prepared pursuant to Section 2005 of P.L. 99-570, the Anti-Drug Abuse Act of 1986. This legislation requires that certain kinds of assistance be withheld at the start of each fiscal year from major illicit drug producing and major drug transit countries, pending certification by the President the following March 1. The law requires the President to certify every major illicit drug producing country or major drug-transit country that cooperated fully with the United States in the previous year, or took adequate steps on its own, with respect to illicit drug production, trafficking and money laundering. Alternatively, the President may certify countries that would not qualify under these terms on grounds that the national interests of the United States require the contingency provision of foreign aid to such countries. Or, the President may deny certification, causing statutory sanctions to be imposed.

This year's INCSR, provides the factual basis for the President's 1988 certifications under the revised law, as well as other information required by the Congress.

#### Statement on Certification

Section 481(h)(2)(A) requires that the President certify whether major drug producing and drug transit countries have "cooperated fully" with the United States, or taken adequate steps on their own, with regard to preventing drug production, drug trafficking, and drug-related money laundering.

The statute provides, alternatively, that the President may certify, on grounds of vital national interest, countries which would not otherwise qualify for certification on grounds of such narcotics cooperation.

In weighing recommendations on certification to the President, the Department has looked to the law, before and after amendment by P.L. 99-570, for guidance in determining the bounds for "cooperated fully."

The requirement in Sec. 481(h)(3) is that the President, in making certifications of cooperation, shall give foremost consideration to whether the actions of the government have resulted in the maximum reductions in illicit drug production which were determined to be achievable.

The President must also consider whether the government has taken the legal and law enforcement measures to (A) enforce, to the maximum extent possible, the elimination of illicit cultivation and the suppression of illicit manufacture and trafficking -- as evidenced by seizures, and arrest and prosecution of violators, and (B) eliminate to the maximum extent possible the laundering in that country of drug-related profits or drug-related monies -- as evidenced by enactment of money laundering laws, willingness to enter into MLATs, and other cooperation on money laundering.

In considering country performances in 1987, the President is also directed by statute to consider programs and actions planned for 1988 and beyond. This two-year appraisal is especially important when remedial actions are necessary.

Use of terms such as "maximum achievable" introduce a concept of variability. Moreover, there is precedence for determining that full cooperation can be a variable term. The precedence lies in the earlier amendments to Section 481, which since 1971 has made reference to "adequate" cooperation. Section 481(f) requires consultation with the Congress on country determinations and specifies that such consultation shall inter alia include consideration of (1) the nature of the illicit drug production problem, and (2) the climatic, geographic, political, economic and social factors that affect illicit drug production. Thus, 481(f) introduced in 1983 the concept of "cooperation" and "maximum achievable reductions" being variable, a function of numerous factors including relative capability to achieve narcotics objectives.

In determining the recommendations to the President under P.L. 99-570, the Department of State has, therefore, considered each country's relative capability to achieve maximum reductions in production, as a foremost priority, and also to develop and enact the legal and law enforcement measures which this statute contemplates. This relative capability was viewed as functions of their differing political, economic, social, geographic, climatic and resource situations. In this context, full cooperation in crop control and other enforcement can have quite different outcomes.

There are, then, many shadings to the recommendations on certifications. Some countries found that their programs could not keep pace with traffickers' efforts to expand cultivation, but adopted new programs or strategies, with new resources, to increase their potential reductions. Other countries, including several with well-established programs, could and should have done more in one or the other criterion category. A number of countries must do more to curb narcotics related corruption before it countermands their control efforts. Virtually every country can and must do more to arrest and prosecute major traffickers and destabilize networks. Extradition is a significant international tool to counter the trafficking networks.

For the second year, the Department of State has asked Congress for further guidance on what constitutes a "major" drug trafficking country or "major" money laundering country. Production-related identification is quantitative, using the numerical standards of the statute, but there are no similar numerical bases in law for the other two categories. What weight should be given, for example, to whether a country is a direct or indirect transit source, or to whether the bulk of the contraband is intended for markets other than the United States?

#### Ramifications of Certification

The statute makes it clear that there is a definite relationship between provision of foreign assistance and positive performance on narcotics control. The law requires that half of certain kinds of economic and military assistance be withheld, at the start of each fiscal year, pending certification by the President. If the President fails to certify a major producing or drug transit country, or if Congress disapproves the certification, the law mandates the suspension of the other half of economic and military assistance, as well as most other kinds of assistance. Moreover, the United States would oppose new or extended loans to such countries by the multilateral development banks, and, at Presidential discretion, could impose a variety of trade sanctions.

The Department has submitted to the President a Presidential Decision Memorandum which contains certifications (or refusals to certify) for major drug producing and drug trafficking countries. The President's certifications are subject to Congressional disapproval, by vote of both houses, within 45 legislative days, as specified by 1987 amendments.

This report has been prepared by the Department's Bureau of International Narcotics Matters (INM), in consultation with other bureaus in the Department, U.S. Embassies, the Drug Enforcement Administration, the Federal Bureau of Investigation, and the Central Intelligence Agency, as well as other offices and agencies of the U.S. Government. As required by law, the Department of State and the Departments of Justice, Defense, Treasury, and Health and Human Services, as well as the Agency for International Development, have made comments and recommendations on this report and are prepared to meet with members of the Committee on Foreign Relations and the Committee on Foreign Affairs to review worldwide illicit drug production and the policy, programs and role of the United States Government in preventing the entry of illicit narcotic and psychotropic drugs and other controlled substances into this country. In accordance with the Senate amendment to the Department's 1988 authorization, this report contains specific comments and recommendations by the Drug Enforcement Administration, U.S. Customs Service and other enforcement agencies.

INM's FY 1989 Congressional Budget Presentation, which provides detail on regional and country strategies, budgets and programs, has been transmitted separately to the Congress. A budget summary is provided in Chapter V.

## II. POLICY AND PROGRAM DEVELOPMENTS IN 1987

### 1987 in Summary

Last year began with some promise of progress in international narcotics control efforts, but ended with the realization that narcotics traffickers and international trafficking organizations remain very strong in certain Latin American countries, particularly Colombia. While international commitment to narcotics control seemed to intensify during 1987, as manifested at the United Nations International Conference on Drug Abuse and Illicit Trafficking (ICDAIT) in June, drug production and trafficking unfortunately remain big business and drug abuse levels all over the world continue to rise. Corruption of government officials and law enforcement officers, bribery, trafficker intimidation and violence, and the stark fact that nations are outmanned, outgunned and outspent by narcotics traffickers, continue to undermine global efforts to stop narcotics production and trafficking.

Several factors, over which the United States Government has little or no control, surfaced to make 1987 a difficult, but not hopeless year in international narcotics control. The good news was that opium and marijuana eradication levels were high, and countries increasingly looked towards bolstering their eradication campaigns as a relatively efficient way to eliminate the source of illicit narcotics. In 1987, twenty-three countries (\*) joined the United States in eradicating their crops, destroying 283 metric tons of opium, 5,046 metric tons of coca leaf, and 17,585 tons of cannabis. These figures represent four times the amount of opium that reaches the United States as heroin, three times the amount of marijuana consumed in the United States and one-seventh the amount of coca leaf required for conversion into the cocaine consumed by American users.

For the first time, Bolivia embarked on a program of voluntary coca eradication, and, by the end of 1987, over 1,000 hectares had been destroyed. Jamaica made significant inroads against its marijuana crop by adopting an eradication program balancing manual and chemical eradication. And Pakistan announced its decision to employ chemical eradication of opium as evidence of its commitment to eliminating the opium poppy.

Other developments during 1987 were frustrating. While eradication gains were made in Bolivia during 1987, coca cultivation continued to increase with the greatest percentage of expansion in Colombia. Worldwide opium and marijuana totals were also up. Some countries, such as Laos, Iran, Syria and Afghanistan, continued to profit in varying degrees from narcotics cultivation, thereby rejecting their respective obligations to the world community.

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(\*) Belize, Bolivia, Brazil, Burma, Colombia, Costa Rica, Ecuador, Egypt, Guatemala, Honduras, Jamaica, Mexico, Morocco, Pakistan, Panama, Paraguay, Peru, Philippines, Senegal, Thailand, Turkey, St. Vincent and Grenadines and Venezuela.

Colombia's bold decision to extradite Carlos Lehder to the United States to stand trial in February, 1987, was overshadowed by the Colombian Supreme Court's de facto nullification of the implementing legislation for the 1979 extradition treaty this past summer and the December 30 release of Jorge Ochoa from a Colombian prison. Colombia has so far been unable successfully to try and convict a major drug trafficker. The murder of Colombia's Attorney General earlier this year is yet another graphic illustration of drug traffickers' power and their fear of extradition.

Despite some positive developments in Mexico and Pakistan in 1987, both countries produced as much opium as in 1986. Heroin trafficking in both countries and the additional problems of interdicting cocaine trafficking in Mexico seriously exacerbate our work as we attempt to contain the supply of illicit narcotics.

One of the most vivid lessons learned during 1987 is that current eradication programs, while necessary, are insufficient to reduce the worldwide supply of narcotics. While eradication remains the most efficient and cost-effective means of eliminating narcotics crops, its current levels of activity cannot solve the problem. It is becoming increasingly necessary to complement eradication programs with enforcement programs and intensified interdiction, in order to put pressure on a number of links in the trafficking chain.

Thailand's 1987 opium production increased slightly, although the total is below levels of earlier years. However, Laos and Burma have more than compensated for Thailand's decline in recent years as a major opium producer. Colombia has been successful in eliminating major portions of its marijuana crop in traditional growing areas; but, the most recent (late 1987) data indicates cultivation in non-traditional areas has increased. Colombia's experience this year demonstrates that traffickers will replant, often expanding the crop, when their profits are threatened by serious eradication and interdiction campaigns.

In forging a far-reaching, effective inter-agency strategy to reduce the supply of international narcotics, INM worked with other Government agencies during 1987 to construct a strategy and five-year implementation plan to address the international narcotics control problems. The NDPB strategy incorporates five critical elements: eradication, enforcement, development assistance, public diplomacy, and training.

The strategy, designed as an evolving plan which can be adjusted to take advantage of unforeseen opportunities, sets forth six major policy goals. Each goal is supported by appropriate program objectives, targets of performance, milestones of activity and measures of effectiveness. The six goals are:

1. Reduce the amount of cocaine shipped from Latin America to the United States through an integrated program of narcotics control.

This could be accomplished by reducing levels of coca cultivation by 50% by 1993; however, this is virtually impossible unless Latin American governments are satisfied that there is a safe, effective herbicide and then decide to use herbicides against the coca crop.

The strategy also recommends that we explore ways to strengthen

the legitimate economies of Latin America by providing additional Economic Support Funds and Military Assistance during the next five years. Strong emphasis is placed on intensified interdiction operations within host countries, bolstered by U.S. Government training and equipment.

2. Reduce the amount of heroin shipped from Asia and Mexico to the United States through an integrated program of narcotics control.

This goal can be reached by expanding programs already in place. What is needed are better estimates of production, improved strategies for crop destruction, targeted development assistance for farmers in traditional opium growing areas who forego opium cultivation, and intensified enforcement operations to locate and identify heroin refineries.

3. Reduce the amount of marijuana entering the United States from worldwide sources through an integrated program of narcotics control.

Better crop estimates and verification of eradication are needed to reach this goal. The U.S. Government also urges countries to use herbicides in marijuana eradication campaigns.

4. Decrease tolerance for illicit drugs and stimulate support for effective narcotics control worldwide through public diplomacy initiatives.

This is possible only after countries recognize the global dimensions of the drug issue, and see it in their best interest to intensify their anti-drug efforts. The United States will work with other governments to achieve this goal, while demonstrating that we are serious about addressing our own drug problems in the U.S.

5. Eliminate major trafficking networks and cartels through increased seizures and arrests, prosecutions, and forfeiture of assets.

This critical goal can be accomplished through elimination of money laundering, strengthening of countries' legal and judicial systems, development of an effective corps of informants, and adoption of more effective international tools to be used against trafficking networks.

6. Secure increased international cooperation in world-wide narcotics control matters through diplomatic and program initiatives.

By stressing the importance of international and regional cooperation on the narcotics issue, the United States hopes to engage a greater number of countries in narcotics control efforts. The U.S. Government is also committed to urging other developed nations to condition their foreign assistance upon positive performance on

narcotics control, as well as increasing their commitment to multilateral narcotics control efforts, such as the United Nations Fund for Drug Abuse Control. The U.S. Government is urging the United Nations to "certify" that countries are cooperating in narcotics control through its annual assessment of the world narcotics situation.

Control of cocaine has been designated the top narcotics control priority, with the bulk of U.S. Government anti-narcotics resources currently dedicated to eliminating coca and interdicting cocaine. It is critical, however, to recognize that an exclusive focus on cocaine will most likely result in increases in heroin and marijuana production and trafficking; therefore we need to be cognizant of this secondary consequence as we consider program plans and resource allocations over the next five years.

A great deal of the strategy can be realized if drug producing and trafficking nations exhibit the necessary political will. In some cases, this is possible without any additional U.S. Government financial assistance or equipment. In others, however, the necessary political will may not be forthcoming until the United States commits additional critical resources, i.e., aircraft, economic support and military funds. This is particularly true in Latin America, where an additional \$200-\$300 million in economic support may be necessary.

### Cocaine

Latin American governments have not yet accepted that herbicide use is a viable method for meaningful coca control. While many believe the use of herbicides is the most effective control measure, such use raises concerns which must be addressed before moving forward with widespread use.

We realize that much has to be done before a political decision to employ herbicides against coca is possible. We also believe that until governments clearly recognize that coca and cocaine trafficking pose serious threats to their own survival, the cocaine trade will continue to flourish. If we are to make a difference in cocaine control, a massive infusion of economic assistance to the region will be required. In short, a realistic and adequate commitment of U.S. Government resources, as well as effective multilateral programs are needed to provide development assistance and to meet law enforcement requirements. Finally, a dramatic reduction in United States consumption of cocaine, brought about by tougher penalties for cocaine trafficking and use, will also be necessary.

Field tests were undertaken in 1987 in an effort to identify a safe and effective herbicide for use against coca, and the U.S. Government is seeking further Latin American commitment to herbicide testing. To-date, these tests have produced promising results and we anticipate that traffickers, and those who sympathize with them, will attempt to sabotage Latin American government efforts to use herbicides against coca in much the same way they have tried to undermine Colombia's marijuana eradication program and Mexico's opium eradication campaigns.

It is now estimated that between 162,000 and 211,400 metric tons of coca leaf



were cultivated in the Andes during 1987, some 59% in Peru's Upper Huallaga Valley. This increase in production -- compared to 1986 estimates -- makes it all the more imperative for Latin American governments to work closely with the United States to gain control of the coca problem immediately through herbicidal eradication.

Between September and December of 1987, Bolivia was able to eliminate over 1,000 hectares of coca after implementing its voluntary coca eradication program. This initiative is to be followed in 1988 by a program of involuntary eradication. Despite the fact that half of Bolivia's FY 1987 security assistance was withheld in October because its government had not yet reached agreed-upon eradication targets, more coca was eradicated in Bolivia in three months than in all other Andean countries together.

With meaningful gains in coca eradication virtually on hold until Latin American governments decide to use herbicides, interdiction efforts were intensified during 1987 and resulted in the destruction of many cocaine laboratories and the seizure of cocaine and precursor chemicals. U.S. Government-supported enforcement operations attempted to attack cocaine on several fronts, i.e., through riverine programs, pipeline operations, and intensified chemical interdiction programs. The goal of these operations was to disrupt the trafficking of cocaine and coca products and to have an adverse impact on the price of coca leaf in an effort to discourage harvesting. While the results of the 1986 Blast Furnace Operation were considered temporary, that operation set the stage for future, coordinated Bolivian operations such as the ones carried out this year.

The escalating violence by traffickers and terrorists in Peru's Upper Huallaga Valley has made eradication and enforcement efforts very difficult. The Sendero Luminoso and Tupac Amaru (MRTA) insurgencies continue their campaign of assassination and intimidation. Despite high-level support from the Government of Peru and good cooperation with the United States, Peru was unable to reach its eradication goal of 6,000 hectares.

Cocaine seizures in the United States were up dramatically in 1987, with the majority of seizures occurring in Florida and the Southwest. The average price for a kilo of cocaine dropped to \$12,000-\$40,000 nationally, down from \$22,000-\$45,000 in 1986. European countries too are experiencing a wave of cocaine; British Customs reports that cocaine seizures have now surpassed heroin seizures. The availability of 'crack' has also been reported in Sweden. Italy, Portugal and Spain also reported a major increase in seizures of cocaine in 1987, while African capitals reported that cocaine is making an entrance into the circles of the educated and sophisticated.

U.S. Government officials are encouraged, however, by the results of the National High School Senior Survey which indicate that seniors' use of cocaine has declined for the first time. We hope this downward trend will continue in future years.

### Heroin

Worldwide opium production increased in 1987, with the largest percentage of increases in the Golden Crescent and Mexico. Afghanistan increased production,

bringing the Golden Crescent totals to a new range of between 735 and 1360 metric tons. Opium production increases in tribal areas currently outside the control of the Government of Pakistan and not yet covered by its ban on poppy cultivation nearly offset significant reductions in Government-controlled areas where enforcement has been effective. Pakistan has, however, begun to employ aerial spraying to destroy farmers' poppy in specific areas under its control; it is hoped that this modern eradication method will yield encouraging results. Heroin abuse in Pakistan has grown significantly since 1980; there are now an estimated 660,000 Pakistani addicts. Enforcement and investigations in Pakistan are still weak and must be strengthened if heroin refinery activity and heroin trafficking are to be stopped.

The rate of increase in opium production in Southeast Asia was not as sharp; while the region continues as the world's largest opium producer, cultivating between 1,095 and 1,575 metric tons, Thailand's opium cultivation has been significantly curtailed over the past several years. Thailand is still of concern to the United States as a transit state for heroin. Burma has also sought to destroy opium through aerial eradication and succeeded in eradicating over 16,000 hectares in 1987. In addition, law enforcement and military officials have launched an effective campaign against laboratories and heroin caravans. It appears that opium production in Laos continues unchecked and may be sanctioned by some officials of the Lao Peoples Democratic Republic.

The surprising increase in opium production was in Mexico where new estimates place opium production, thought to be between 35-50 metric tons in 1986, in a higher range of 45-55 metric tons after eradication in 1987. The 1987 eradication totals are only marginally more than last year's which are not considered sufficient to have an impact on heroin supplies to the United States. Mexico thus remains the largest single-country supplier of heroin to the United States.

### Marijuana

Foreign marijuana cultivation increased, after eradication, by 25% during 1987, with more than half of the increase occurring in Mexico and Colombia. Total marijuana production in countries supplying the U.S. market was in the range of 10,930-17,625 metric tons. Despite significant gains in marijuana eradication and seizures in source countries, marijuana availability increased during the last year. The bright spot on the marijuana scene was Jamaica's ability to reduce its cannabis cultivation from a high of 2,000 metric tons to a new low of 325-535 metric tons. Belize also conducted a very successful campaign.

Despite improvements in Mexico's cannabis eradication program, Mexico continued to be the single largest source of marijuana exports to the United States market.

While Colombia was again successful in eliminating a large portion of the marijuana cultivated in traditional areas, reports late in the year indicated a significant increase in cannabis cultivation in non-traditional areas near the Gulf of Uraba and in the San Lucas mountains. Net marijuana production in Colombia ranged in the area of 3,435-7,760 metric tons.

Increases in Southeast Asian cannabis were also evident during 1987, but there are no definitive data on the amount of cannabis cultivated in the major producing countries of the region, Thailand, Laos and the Philippines. The U.S. Government is continuing to encourage the Royal Thai Government to eliminate its crop, which because of its high-quality, commands a high price on the international market.

One disturbing development in the worldwide marijuana situation was the evidence that the United States was a strong third in marijuana production in 1987, behind Mexico and Colombia.

#### Trafficking Organizations

During 1987, it was apparent that major drug trafficking networks continued to wield extraordinary power and influence, particularly in Latin America. Trafficking organizations are well-armed, manned and funded. As events in Colombia in the early part of 1988 indicate, traffickers will stop at nothing to protect their profits.

Many countries seem to be unable, or unwilling, to take a stand against major drug traffickers. The extradition of major trafficker, Carlos Lehder, to stand trial in the United States was hailed as a courageous act last February, but subsequent Colombian events such as the *de facto* nullification of the extradition treaty and the release of Jorge Ochoa set back international efforts to bring major traffickers to justice. In Mexico, trials are underway for the murder of DEA agent Enrique Camarena and the torture of DEA agent Victor Cortez. Over sixty individuals remain in jail as part of the Camarena trial. Despite assurances to the contrary, Colombia has not yet acted affirmatively to extradite any more major traffickers to the United States. Moreover, Bolivia has not yet arrested a major cocaine trafficker.

It is clear that better intelligence and stronger legal and judicial systems are necessary if producing and trafficking countries are going to do battle with major traffickers. While extradition is a critical tool in our present efforts to bring traffickers to justice, we maintain that our ultimate goal is to have countries arrest, prosecute and imprison traffickers operating within their borders. Extradition cannot substitute for political will and effective law enforcement.

There is a need for the United States to increase assistance to Latin American governments, particularly in the dismantling of major trafficking networks. This must be done regionally as well as on a country-by-country basis, since traffickers are operating with seeming impunity in many Latin American countries. It is possible that the United States will have to face the fact that, until we provide intensified military and paramilitary assistance and revisit the specific issue of providing weapons and ammunition to Latin American governments, the war against traffickers will be a hollow one.

All the news in 1987, however, was not discouraging. The Bahamas and Mexico signed Mutual Legal Assistance Treaties with the United States which will bolster mutual efforts in the area of law enforcement and investigations. Paraguay signed an International Narcotics Control agreement with the U.S. through which they were provided \$200,000 worth of equipment. Trafficking organizations are hurt by asset seizure and forfeiture, and the U.S. Government has been urging other governments to

adopt such procedures as a way of dismantling major organizations. There have been some successes. For example, Operation Pisces, carried out with the cooperation of Panama, resulted in the freezing of \$12 million in assets. This operation illustrates the type of productive cooperation which is possible between governments.

The draft United Nations Convention on Narcotics Trafficking incorporates several provisions which will help nations deal with trafficking networks more effectively. This convention should be finalized during 1988.

In 1987, the U.S. Government offered its first rewards under the Omnibus Drug Act of 1986. The Act authorizes payment up to \$50,000 per case (totalling \$500,000) for information leading to the arrest and conviction of major drug traffickers. It is hoped that this incentive will help produce high quality information which will result in the dismantling of trafficking organizations.

#### Public Diplomacy

One area that has received a great deal of attention during the past year is public diplomacy as it relates to narcotics control programming. The U.S. Government international narcotics public diplomacy program, supported by the United States Information Agency (USIA), the Department of State, and the Agency for International Development (USAID) is designed to decrease tolerance for illicit drugs and stimulate focused support for effective narcotics control worldwide through public diplomacy initiatives which incorporate concepts of public awareness and demand reduction. Central to the public diplomacy strategy are programs to raise international public awareness by sensitizing government and opinion leaders, as well as the international general public, to the global scale and consequences of drug production, trafficking and abuse; to provide information on why and how the United States and other nations are confronting their drug abuse problem; and to develop broad national and international support for narcotics control through public awareness campaigns.

The U.S. Government also supports programs to assist countries to reduce the demand for cocaine, heroin and marijuana through the effective adaptation and use of knowledge gained and disseminated through prevention and treatment research, applied science, and public information programs. Technical assistance through consultation and training with host countries and international organizations is also provided.

USIA has devoted increasing attention to the narcotics issue in the past year. Larger numbers of overseas posts are becoming actively involved in the war against drugs using USIA's resources to inform government leaders, educators, journalists and community organization representatives.

A total of ten WORLDNET interactive satellite press conferences focused on drug-related issues in the past year. Guests from national, state and local levels discussed U.S. efforts to stem drug abuse and trafficking and described U.S. successes in demand reduction, treatment and rehabilitation efforts.

International visitor exchange programs provided hands-on experience to 137 foreign visitors who were briefed at length by U.S. officials and visited U.S. schools.

resource and training centers and counterpart prevention programs and treatment facilities. Among the visitors were increasing numbers of representatives from non-governmental organizations (NGOs) who extend the efforts of government into the private sector. An outstanding example of the fruits of this type of exchange activity are the increasing numbers of volunteer parents groups around the world modeled on the Atlanta Parents Resource Institute for Drug Education (PRIDE) whose annual conference USIA has supported for several years.

Two dozen American specialists on narcotics abuse prevention, education and enforcement made visits to over fifty countries around the world to carry messages about U.S. efforts to reduce the demand for drugs in our society.

The Hubert Humphrey Fellowship program staff established a new program to accommodate foreign specialists in drug abuse prevention education for a year's study and professional internship in the United States. To date, nine foreign experts have been selected to participate in this program. They will begin study in the summer of 1989. The results of their U.S. experience will have a marked impact on public awareness programs in their countries upon their return.

During 1987, the Department of State and the United States Information Agency were able to provide assistance on demand reduction and public awareness to major drug producing and trafficking countries. For example, in June, 1987, USIA and the East-West Center in Honolulu hosted a conference to raise awareness for Asian and Latin American professionals. In March 1987, the United States Information Service (USIS) and Thailand's Office of Narcotics Control Board co-hosted a conference entitled "Drug Abuse: Whose Problem is It?". This conference provided an opportunity for American and Thai participants, including health, social and education specialists, legislators and journalists, to discuss the range of narcotics control problems with candor and to suggest viable solutions.

During 1987, the United States Information Agency hosted two workshops for foreign journalists from countries where drug production, trafficking and abuse are problems. Mrs. Reagan, Attorney General Meese and INM Assistant Secretary Wroblewski addressed the groups about U.S. Government efforts to eliminate drug trafficking and abuse within the United States. The workshops encouraged more balanced and forward looking coverage of the international drug problem and a move away from the "producer-consumer" dialogue which has frustrated international narcotics cooperation. Because the VOA project has resulted in overseas and numerous wire and newspaper series on the need for worldwide cooperation to overcome the efforts of narco-traffickers, these workshops were considered very successful in raising awareness among the journalists and in providing useful information on the U.S. Government perspective.

AID undertook a major survey of drug awareness in eight Asian countries in 1987 the results of which will be used to help design future AID narcotics education programs in that region.

By assisting other countries address misperceptions and disinformation about the nature of the international drug problem, the U.S. hopes that international public support for increased anti-narcotics activities will be generated. In recent years,

traffickers and those who sympathize with their aims, have attempted to discredit the use of herbicides in eradication programs by generating sensational reports of deaths and injuries caused by chemicals. Refuting these reports, and providing accurate, easily understood information on herbicide use in routine agricultural programs are key elements of the narcotics public diplomacy program.

#### International Cooperation

Diplomatic efforts to encourage international cooperation on narcotics control intensified during 1987 and culminated with the United Nations International Conference on Drug Abuse and Illicit Trafficking (ICDAIT), held in Vienna, June 17-26. The Conference resulted in an international consensus that urgent, immediate action is needed to address the global narcotics problem.

U.S. Government officials, including President Reagan, Vice President Bush, Secretary Shultz, and Attorney General Meese, raised the narcotics issue with foreign officials during state visits and meetings during the past year, reinforcing the high foreign policy priority that the U.S. Government places on the narcotics issue.

The certification process, mandated by PL 99-570, put nations on notice that beginning with calendar year 1987, the United States was serious about linking performance on narcotics to foreign assistance. When it was first applied last March, three nations -- Syria, Afghanistan and Iran -- were designated as not cooperating with the United States or not taking adequate steps on their own to address their narcotics problem. Laos and Lebanon were certified under the National Interest provision of the certification law. About \$1.5 billion in foreign assistance funds are affected by the certification process, which requires that 50 percent of most U.S. Government assistance to major source or transit countries be withheld until the President submits his certification recommendations to the Congress on March 1.

The United States is also urging European nations to condition their assistance on positive performance on narcotics control. Consequently, U.S. Government officials have urged the United Nations to use its full weight to bring international pressure to bear on uncooperative nations.

The Economic Summit again produced consensus that the narcotics issue was a serious threat to the well-being of the summit nations. In the Arms Control Summit Communique, President Reagan and General Secretary Gorbachev announced that closer cooperation between the United States and the Soviet Union on narcotics issues would be pursued during 1988.

The United Nations continued to play a leadership role in raising global awareness about the extent and nature of the drug problem. The United Nations and other regional organizations invested significant attention and resources in narcotics control problems. The most visible aspect of the multilateral drug control agenda was the convening of the International Conference on Drug Abuse and Illicit Trafficking (ICDAIT), which was held in June in Vienna, Austria. Government representation was at the highest levels, including Ministers of Justice, Health and Interior in many cases. Moreover, the conference successfully served as a catalyst in the promotion of stronger and broader anti-narcotics programs at the national, regional, and

international levels. ICDAIT produced two noteworthy documents which will guide the UN community's anti-narcotics efforts over the next several years: The Comprehensive Multidisciplinary Outline of Future Activities in Drug Control (CMO) and a conference Declaration. The Declaration is a political statement of commitment by governments to work together toward the elimination of drug abuse, illicit production and trafficking.

Of equal importance in the multilateral drug control forum is the ongoing drafting of the new Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Now in its third year of development by the UN and member governments, a final draft text was approved by the Commission on Narcotic Drugs (CND) during its February 1988 meeting. Following a final experts review in June, a plenipotentiary conference will be held to approve the draft and sign the convention. We expect many nations to ratify the convention quickly.

On a third front, the UN Fund for Drug Abuse Control (UNFDAC) has undergone a transformation from a small, special purpose fund for selected drug control problems to a large-scale, multi-million dollar organization. The Fund has begun projects in support of coca control in South America, thus involving the United Nations and, indirectly, European donors in a problem which affects Europe as well as the United States. The Fund has received pledges from Italy, the United States, Canada, Saudi Arabia, and the United Kingdom, with other pledges in the offing for the Special Development and Enforcement Program in Pakistan. The Fund also provides narcotics control assistance in Africa (where U.S. Government assistance has been limited to Egypt and Morocco) with training programs for Kenya, Nigeria, Senegal and the Ivory Coast. Key donors to source country programs include the Federal Republic of Germany, Saudi Arabia, Sweden and Norway, among others. The major donors support the Fund's policy that all United Nations development projects must contain drug enforcement provisions and agree that economic assistance should be linked to commitments by recipient governments to eliminate illicit narcotic crops by a specific date.

The U.S. Government remains a strong supporter of UNFDAC, seeking opportunities to work closely with the Fund and channel funds to it, where appropriate. In general, the multilateral response to the drug problem has been positive. Efforts such as ICDAIT and the new Convention illustrate that current cooperation among countries and through such bodies as the UN is good and can be expected to grow in the near term. There is much more to be done, but ICDAIT and the Convention show us that governments can work together when the commitment to do so is there.

The Organization of American States has also become an active participant in anti-narcotics work. In October, the Inter-American Drug Abuse Control Commission (CICAD) met in Washington to recommend how the member nations could work together effectively to eliminate drug abuse in the hemisphere. Former U.S. Senator Paula Hawkins was a key participant in that meeting.

PRODUCTION ESTIMATES

The National Narcotics Intelligence Consumers Committee has developed, through its Subcommittee on Production, preliminary estimates on illicit narcotics production in calendar year 1987 (see below). These same data are published in the NNICC Report. Certain year-to-year changes in estimates are the function of changes in methodology and improvements in data, and may not indicate increased or decreased production. Data have been rounded to the nearest zero or five. (See footnotes.)

FOREIGN PRODUCTION ESTIMATES  
ILLICIT NARCOTICS  
1985-1988

<u>Country</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
<u>OPIUM (mt)</u>				
Afghanistan	400- 800	400- 800	400- 500	400-500
Iran <sup>1</sup>	200- 400	200- 400	200- 400	200-400
Pakistan <sup>2</sup>	100- 200	135- 160	140- 160	40- 70
SoWest Asia	700-1400	735-1360	740-1060	640-970
Burma	900-1200	925-1230	700-1100	490
Laos	190- 300	150- 300	100- 290	100
Thailand <sup>3</sup>	35	20- 45	20- 25	35
SoEast Asia	1125-1535	1095-1575	820-1415	625
Mexico <sup>4</sup>	30	45- 55	35- 50	25- 45
Other Opium <sup>5</sup>	27	27		
Total	1882-2992	1902-3017	1595-2565	1290-1640
<u>COCA (mt)</u>				
Bolivia	50- 73,700	46- 67,000	44- 52,920	42-53,200
Colombia	19- 25,300	18- 23,000	12- 13,600	12,400
Peru	114,450	98-121,000	95-120,000	95,200
Ecuador	x - 200	x - 400	1,000	1,900
Other Coca	(See Note)			
Total	185-213650	162-211400	152-188320	150-162700
<u>MARIJUANA (mt)</u>				
Mexico <sup>6</sup>	5,970	5,970-7,130	4,000-6,000	3,000-4,000
Colombia <sup>7</sup>	1,650	3,435-7,760	2,530-3,630	2,000-4,000
Jamaica	300	325- 535	1,485-2,025	625-1,280
Belize	180	200	550	645
Other	1,000-2,000	1,000-2,000	800-1,000	800-1,000
Total	9,100-10100	10930-17625	9,365-13205	7,070-10925
<u>HASHISH</u>				
Lebanon	700	600	720	720
Pakistan	200	200	200	200
Afghanistan	200- 400	200 - 400	200 - 400	200 - 400
Morocco	- 60	- 60	30 - 60	30 - 60
Total	1160- 1360	1060 - 1260	1150 - 1380	1150 - 1380



### General Footnotes

The INCSR tables attempt to show actual production or net yield, subtracting for eradication. Other reports usually estimate total cultivation, multiply by a yield factor, and then report gross potential or theoretical production. Thus INCSR estimates are stated post-eradication, and the totals have not been discounted for loss, domestic consumption or seizures. Tables in NNICC reports vary in construct, and frequently will discount for these elements. When these deductions are made in INCSR (see country tables), the net amount available for processing into narcotics for export will almost invariably be lower -- significantly lower in some countries.

The data in these tables should be considered as estimates, rather than empirical findings. Some data are only preliminary estimates, or assumptions and speculations. Rigid mathematical extrapolation is not encouraged.

Some estimates for 1984, 1985 and 1986 have been changed since the INCSRs were issued for those years, reflecting receipt of additional data post-publication.

Year-to-year differences in these tables may indicate a production trend, but could also reflect changes in methodology, or in the scope and quality of information. Country chapters should be consulted before conclusions are made about the nature of the numerical differences.

The requirement of the statute is that INCSR provide data on the year just completed, the current year, and the year to come. Projections on this basis are problematic on many counts, not the least of which is that, save for coca/cocaine, the crops (cannabis and opium) are annual crops. Farmers may decide for any number of reasons, including trafficker pressure, to plant more than enough to offset the effects of eradication, to increase their plantings greatly from one season to the next, and cultivation numbers will rise in non-linear fashion.

### Production Footnotes

Heroin. The National Narcotics Intelligence Consumers Committee will not report a heroin import estimate for 1987.

Cocaine. The NNICC does not yet have an estimate on cocaine imports for 1987.

Coca Production. Intelligence analysts estimate that Andean coca production increases by 5-10 percent per year. Figures shown are for coca cultivated in each country; the amount of coca processed, e.g. in Colombia, is not reflected. There is no official estimate for coca grown in other countries. The estimate on page four that 5,046 metric tons of leaf were eradicated includes 2,665 metric tons in Brazil, but gross cultivation estimates are not available. Totals are also not shown for Venezuela.

Marijuana. U.S. officials estimate that marijuana production in other Latin American countries in 1987 was in the range of 500-1,000 metric tons, and make a similar estimate of 500-1,000 metric tons for other Asian countries. DEA estimates that U.S. marijuana production, not shown in these tables, was potentially as much as 8,300 metric tons in 1987, reduced by eradication to 3,000 metric tons. This is an increase

of 1,000 metric tons over the previous year's domestic estimate. Gross availability of marijuana on the U.S. market (before discounting U.S. and other seizures) was 13,930 to 20,625 mt, up considerably from 1986 estimates.

Country Data Footnotes

- <sup>1</sup> Iran. There is no narcotics control program in Iran, and despite contrary contentions by the Government, U.S. officials believe opium production remains in the 200-400 mt range.
- <sup>2</sup> Pakistan. This estimate uses a yield factor of 14.82 kilograms per hectare, down from a factor of 19.76 used in previous years' estimates. The reduced value reflects Pakistani assessments of the impact of poor weather in the 1986-87 season. Other U.S. officials believe yields may have been in the 20 kg range, which would result in a higher estimate of production.
- <sup>3</sup> Thailand. The two most recent Thai surveys are believed to have underestimated total production for a variety of methodological and technical reasons. The figures shown here for 1986 and 1987 reflect rough U.S. adjustments to ONCB data.
- <sup>4</sup> Mexico. The table was recomputed for production in 1986 to reflect revised eradication statistics in the current INCSR. The 1987 INCSR estimated production for 1986 between 20-40 metric tons.
- <sup>5</sup> Other Opium. Opium cultivation in Lebanon is estimated at 1,800 hectares, with a potential yield of 27 metric tons. Media reports claim Syria eradicated 1,400 ha, but U.S. officials believe 10 percent or less was eradicated. DEA estimates that Lebanese cultivation could be as high as 4,000 ha. The table does not include an estimate for India; illicit opium production is estimated at 260 metric tons, unofficially, but it is believed that all of this production is consumed within India.
- <sup>6</sup> Mexico. This mid-range estimate for Mexico is 6,550 metric tons, compared to 5,600 for Colombia.
- <sup>7</sup> Colombia. The U.S. embassy reported estimate was 3,300 metric tons, all from traditional areas, where an effective eradication program continued. The expansion shown here reflects new cultivation in the Gulf of Uraba and San Lucas Mountains.

### III. U.S. EFFORTS AND THE INTERNATIONAL SITUATION

International cooperation is a central segment of the President's National Drug Strategy, and the Department of State has been designated as the lead agency to develop and coordinate international narcotics control efforts overseas. The responsibility for international narcotics control has been delegated by the President to the Assistant Secretary of State for International Narcotics Matters.

The National Drug Policy Board, chaired by Attorney General Meese, was very active during 1987, extending its mandate from simple enforcement to include prevention. Dr. Otis Bowen, Secretary of Health and Human Services, was named as Vice Chairman of the Board. In May, the Attorney General designated Lead Agencies to coordinate all aspects of drug control; the Department of State was designated as the Lead Agency for international narcotics control programs.

The State Department-chaired International Standing Committee formulated a FY 88-89 International Narcotics Control Strategy and Implementation Plan, complete with goals, objectives, targets of performance, and measures of effectiveness against which progress in international narcotics control can be evaluated. The strategy states that progress can be made in controlling the production, trafficking, and abuse of drugs if five elements are well-integrated into international programs: eradication, enforcement, development assistance, training and public diplomacy.

#### INM Role and Responsibilities

The Department of State, and in particular, the Bureau of International Narcotics Matters (INM) is charged with coordinating all U.S. Government international drug control activities. Specific responsibilities of INM include:

Supporting crop eradication in 15 countries to reduce the availability of opium, cocaine and marijuana;

Providing assistance to help nations strengthen their law enforcement and judicial systems;

Working with host governments to develop alternative means of income for farmers who abandon the cultivation of narcotic crops in traditional areas; and

Channeling technical assistance to areas of drug prevention, education and treatment.

Narcotics Assistance Units (NAUs) have been established in U.S. Embassies in Thailand, Burma, Pakistan, Colombia, Bolivia, Peru, Brazil, Ecuador, Venezuela, the Bahamas, Jamaica, Mexico and Turkey.

#### The INM Airwing

INM presently supports operations and maintenance for over 150 aircraft in four major country programs (Mexico, Colombia, Bolivia and Burma). Most of these aircraft are under the control of the host countries, and all are involved in eradication

and interdiction programs. The Bureau was tasked by Congress in the Anti-Drug Abuse Act of 1986 (P.L. 99-570) to develop an INM-operated aviation program. In a change of policy, the legislation prohibited granting of additional aircraft to foreign governments. INM has begun to build upon the small fleet it controlled in FY86 by adding additional aircraft in 1987 including six Bell 212 helicopters and seven Thrush fixed-wing spray aircraft. These supplement the five Thrush and the one C-123K aircraft which were already employed in our on-going aviation programs.

In Belize, we moved from an ad hoc program of periodic intensive spraying campaigns to a measured program of regular spraying and destroyed approximately 870 hectares of marijuana. The continued measured program denied the traffickers the gap in the spraying program to replant or salvage a portion of their crop. In Belize, we demonstrated that a regular continuous spray program could control virtually all marijuana production.

In Colombia, three Thrush aircraft contributed significantly to the eradication of marijuana. The 1987 campaign was more effective than in 1986, and approximately 6,100 hectares of marijuana were destroyed by the three Thrush. The continuous destruction tactic used successfully in Belize is now being repeated in Colombia.

In Guatemala, INM aircraft and personnel in cooperation with Guatemalan authorities, carried out their first eradication campaign against opium and marijuana cultivations during May and June. In late November, an aerial survey conducted by Thrush aircraft located 354 opium fields comprising approximately 200 hectares. INM intends to continue working closely with the Government of Guatemala to help eliminate marijuana and poppy production.

The Thrush was also used to train pilots from Pakistan in aerial techniques required to spray narcotics crops in rugged mountainous terrain. These pilots received initial training at Andrews Murphy, North Carolina, and will receive additional mountain training in Pakistan. Once trained, the GOP pilots will work with INM pilots and aircraft in the initial fixed-wing eradication program in Pakistan. The GOP initiated their first aerial eradication program in 1987 utilizing three UH-1H helicopters that were maintained by the NAU. These assets, in conjunction with the Thrush, will be used in the 1988 INM aviation eradication program for Pakistan.

The Air Wing took delivery of a C-123 from the USAF this year. It was used extensively in Peru from July through the remainder of the year and provided logistical support for interdiction missions in the Upper Huallaga Valley. The aircraft transported over 2,000 personnel and carried in excess of 435,000 lbs of cargo in direct support of missions flown by three INM-leased Bell 212 helicopters. The helicopters provided the air support required to move police forces into and out of the Central and Upper Huallaga Valley.

#### Inter-Agency Cooperation

The legislation regarding this reporting requirement refers to seven of the twelve Cabinet Departments and their agencies which have legislative responsibility for drug abuse programs: Justice (Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Naturalization Service, Legal Divisions); Treasury

(Customs Service, Internal Revenue Service); State (INM); Defense; Transportation (Coast Guard); Education; and Health and Human Services (National Institute on Drug Abuse, Food and Drug Administration, Center for Disease Control).

The Federal Government budgeted \$1.98 billion in 1986-87 for drug law enforcement, including programs to reduce the supply of drugs into this country and to fund domestic enforcement programs. Other funds are spent to reduce demand for illicit substances through media awareness, prevention education, addict intervention, detoxification, treatment, and rehabilitation.

As a result of this multi-agency effort, the President established the National Drug Policy Board with members from the entire cabinet. Under the NDPB the President set up two coordinating groups at the Assistant Secretary/Agency Head level to oversee the law enforcement/supply and demand reduction efforts. The NDPB, in turn, appointed nine lead agencies with coordinating responsibility for specific areas or functions of drug policy.

The Department of State, as the lead agency for international activities, coordinated by the Bureau of International Narcotics Matters (INM), cooperates with various U.S. Government agencies, especially the Drug Enforcement Administration, the Agency for International Development, the U.S. Customs Service, U.S. Coast Guard, the National Institute on Drug Abuse, and other units within the Departments of Agriculture, Justice, Treasury, Commerce, Defense and Transportation, to halt the flow of narcotics into the United States.

In addition to cooperation on country programs, this cooperation and coordination takes many forms, including joint participation in: the National Drug Policy Board; the National Narcotics Border Interdiction System; intelligence meetings; and coordination meetings with DEA, Customs, and other agencies.

With the amendment of the Posse Comitatus Act (10 USC 374), U.S. military forces are able to participate in narcotics control operations overseas; military assets of the U.S. Government can now be used to support law enforcement activities. The April 1986 National Security Decision Directive (NSDD) signed by President Reagan, states that illicit narcotics constitute a national security threat, thereby enabling Department of Defense personnel and resources to be used in the war against drugs. When invited by host governments, the military can become an active participant in the war against drugs, albeit its support is limited to logistical and operations support functions which must be coordinated with other U.S. Government agencies.

INM works closely with DEA throughout the world, with emphasis on collaboration in Latin America, Southwest Asia, and Southeast Asia. In addition to their direct responsibilities for technical assistance, case-making and other investigatory activities, DEA agents work with INM narcotics coordinators in assessing the nature and degree of the drug problem and working with host government law enforcement agencies on planning and implementing action strategies.

The Agency for International Development is funding a rural development project in Peru's Upper Huallaga Valley, a development project for Pakistan's Gadoon-Amazai area, and development projects in Bolivia. INM has been involved in

the planning of these projects, just as AID assisted in the design of INM's Malakand project in Pakistan. In 1984/85 AID began development of public awareness programs and launched projects in Peru, Belize, Bolivia, Ecuador, and Jamaica with the objective of mobilizing opinion-makers and local leadership against narcotics production, trafficking, and abuse. Public awareness programs received expanded emphasis in 1987.

The United States Information Agency continues to expand its involvement in the international anti-drug effort, using a full range of assets that include Voice of America broadcasts, Worldnets, a multitude of news features through its wireless file (used by foreign press), telepress conferences involving key White House, State and Justice officials, and public information and awareness programs developed and/or conducted at posts. In coordination with INM, USIA seeks to inform the peoples of the three major growing regions, with special current emphasis on Latin America, about the major efforts underway to reduce drug abuse and to curtail domestic cultivation of marijuana in the United States. USIA programs also inform people of these countries about the ill effects they and their countrymen are suffering because of the narcotics production and trafficking in their midst.

Training: Crop control must be supported by a strong enforcement effort, and the Department cooperates with governments on the development of local police and customs capabilities to enforce domestic laws against trafficking. INM funds international narcotics training provided by DEA and Customs. In FY 1987, more than 1,600 persons from 80 countries participated in the INM-funded training program. Approximately 35,300 foreign officials have participated in courses designed to increase operational skills and build institutions, since the program was begun in 1971.

Intelligence: The Department of State is both an important collector of narcotics intelligence and the primary consumer of finished narcotics intelligence on policy-level international narcotics developments. The Department has been a long-time advocate of closer coordination between intelligence collection agencies and U.S. law enforcement organizations which collect foreign narcotics information in the performance of their narcotics duties. The Department has particularly sought enhanced coordination of these activities under the guidance of the Director of Central Intelligence.

INM has sought to improve both host country reports and intelligence on production. A Subcommittee on Production was created under the auspices of the National Narcotics Intelligence Consumers Committee (NNICC) to facilitate analysis underlying the estimates in the 1984 INCSR and 1984 NNICC report, and continues in operation. INM, DEA and CIA are members of the subcommittee which has worked with Embassies to produce the estimates and data for the 1984, 1985, 1986 and 1987 INCSR reports, as well as the mid-year report (which incorporates NNICC estimates and is submitted by INM each August). Data are reviewed at least twice yearly -- in the late summer and fall for the INCSR, and again in the spring or early summer for the NNICC.

In mid-1984, INM embarked on a new program to assist source country governments in data generation and analysis. INM provides equipment, technical assistance and support funding for aerial photography, usually through contracts with

host country cartographic institutes and/or military air survey organizations. The imagery is used (1) to make crop estimates, (2) to provide tactical maps that can guide eradication activities and monitor eradication progress; and (3) to provide guidance to development assistance efforts.

### Diplomatic Initiatives

Drug abuse affects all nations; this problem of global dimensions requires a global solution. Historically, however, the U.S. Government has borne much of the cost of international control programs. In recent years, the U.S. narcotics control strategy has included a greater emphasis on diplomatic initiatives to achieve increased participation by and program coordination with other governments; the U.S. government urges these nations to assist through narcotics control programs and through direct economic assistance to producer countries.

The U.S. government is asking nations to place a higher priority on narcotics as a foreign policy issue, and to increase their contributions to multilateral narcotics control organizations, including the United Nations Fund for Drug Abuse Control (UNFDAC). INM, with explicit support from Secretary Shultz, holds discussions each year with numerous governments to seek greater narcotic control program financial assistance and political support from them, both bilaterally and through international organizations.

International Organizations: The United States addresses the international narcotics problem in the United Nations General Assembly, the Economic and Social Council, the Commission on Narcotic Drugs (the U.N. policymaking body on drug matters), and other U.N. organs. United Nations agencies monitor and apply controls on the flow and use of narcotic and psychotropic substances, and coordinate multilateral efforts to control production, trafficking and abuse.

These U.N. agencies include the United Nations Fund for Drug abuse Control (UNFDAC), International Narcotics Control Board (INCB), the World Health Organization (WHO), and the Division of Narcotic Drugs (DND). Since its founding in 1971 with United States sponsorship, UNFDAC has been a vehicle for multilateral implementation of narcotics control and demand reduction programs. A key element in worldwide advances in narcotics control has been the expanding role of UNFDAC under the effective leadership of Dr. Giuseppe DiGennaro. The Fund has begun projects in support of coca control in South America, thus involving the United Nations and indirectly European donors in a problem which affects Europe as well as the United States. The Fund has also received pledges from Italy, the United States, Canada, Saudi Arabia, and the United Kingdom, with other pledges in the offing for the Special Development and Enforcement Program in Pakistan. The Fund also provides narcotics control assistance in Africa (where U.S. assistance has been limited to Egypt and Morocco) with training programs for Kenya, Nigeria, Senegal and the Ivory Coast. Key donors to source country programs include the Federal Republic of Germany, Saudi Arabia, Sweden and Norway among others. The major donors support the Fund's policy that all United Nations drug development projects will contain drug enforcement provisions, and agree that economic assistance should be linked to commitments by recipient governments to eliminate illicit narcotic crops by specified dates.

U.S. emphasis continues to be on encouraging European involvement in coca control programs in South America and on the special development and enforcement project in Pakistan.

Other Actions: Other drug-related concerns of State, Treasury and Justice include money-laundering and off-shore haven banking. DEA, the FBI and Customs have conducted successful, long-term investigative actions to halt illegal cash flows. State and Justice, in consultation with other U.S. law enforcement agencies, continue to explore with various Caribbean countries the possibility of concluding agreements such as mutual legal assistance and extradition treaties to strengthen bilateral cooperation on law enforcement matters, including the sharing of financial information. One such agreement on banking controls was successfully negotiated in 1984 with the government of the Cayman Islands, and renewed in 1985. An agreement was announced with authorities in Hong Kong concerning disclosure of financial information needed for the prosecution of cases. Discussions continue with the Government of Panama on methods of stopping the flow of narcotics profits. U.S. efforts to obtain financial information from the Netherlands Antilles were enhanced by the 1983 Treaty on Mutual Assistance in Criminal Matters, concluded between the United States and the Netherlands.



#### IV. THE ROAD AHEAD: THE 1988 AGENDA

During 1987, we were able to meet some of our program and diplomatic goals, but we recognize that there is still much to be done before narcotics production, trafficking and abuse are reduced or eliminated on a worldwide basis. Eradication programs must be strengthened and expanded, enforcement efforts must be intensified and demand reduction must be addressed by all the nations experiencing problems in these areas.

The cocaine situation in the United States dictates that we must act decisively during 1988 to significantly reduce coca cultivation in the Andes, disrupt trafficking and reduce the demand for cocaine in the United States. With an FY 89 budget of \$101 million, INM will continue to place primary priority on eradication in source countries, focusing on the reduction of coca in Peru, Bolivia and Colombia, and will urge Andean governments to test and utilize herbicides to destroy coca. We plan to make full use of the INM airwing, taking advantage of opportunities which may lead to expanded eradication in the Andes.

INM will also continue to support Asian opium eradication programs to build on past gains, and to attempt to contain the rate of cultivation expansion. We cannot afford to lose sight of the possibility that while we are concentrating on cocaine, heroin availability may significantly increase in the United States.

Marijuana eradication will also remain a priority during 1988, and we will continue to urge countries not currently using herbicides to destroy marijuana through their application.

We expect that cooperation with our program countries will continue during 1988. During the next year, INM intends to support the following program goals in:

##### Latin America and the Caribbean

Mexico must expand its opium poppy and cannabis eradication programs until eradication levels overtake expanding cultivation and reduce levels of cultivation to the low levels achieved in the 1970's. Surveys of opium and marijuana production should be improved during the next year. Mexico is capable of improving its eradication program and needs to enhance enforcement efforts, including cocaine and heroin interdiction, location and destruction of heroin laboratories and dismantling cocaine and heroin trafficking networks.

Bolivia must demonstrate that it is serious about continuing the voluntary coca eradication program, and ushering in involuntary eradication. Forced eradication of new plantings and legislation outlawing all excess cultivation will be significant milestones. Interdiction must intensify so that coca leaf prices drop, and farmers begin to seek alternative sources of income. Bolivian trafficking organizations, which are considered less entrenched than Colombian networks, can and must be broken through arrests and trials in Bolivian courts.

Peru must make better use of its resources and political will to intensify coca eradication in the Upper Huallaga Valley as well as moving against traffickers and

laboratories. The Government should also ensure that paste processing is interrupted, and that cocaine production does not take place.

Colombia continues to withstand the violence of narcotics traffickers whose killings of ministers, judges, policemen, journalists and others will cease only when that Government arrests, tries and convicts them in Colombia. Ultimately, Colombia must confront and dismantle the Medellin cartel, but this cannot be accomplished until the Colombian legal and judicial systems are greatly strengthened. The 1988 agenda includes expansion of coca eradication, stepped-up interdiction and destruction of more active cocaine labs, breaking the linkages that exist between traffickers and insurgent groups like the FARC, which reportedly protects the cocaine labs and riverine distribution systems, and intensifying marijuana eradication in non-traditional growing areas.

Jamaica was a real success story in 1987, during which it sharply reduced net marijuana production through a vigorous eradication campaign. Now, Jamaica must eliminate the remaining few hundred hectares of ganja, and prevent replantings, particularly in the more remote mountain areas where cultivation is shifting. Jamaica must also strengthen its efforts to prevent cocaine trafficking through its territory, and arrest major traffickers.

Interdiction in the Bahamas should continue to improve during 1988. OPBAT has gone to seven-day, 24-hour mission capability, and there have been improvements in facilities to support the maritime operations of U.S. Coast Guard and Customs. The Bahamas, however, is still burdened by narcotics-related corruption; moreover, much of the narcotics control effort there is directed and facilitated by the United States. There is a need for independent Bahamian action. The United States will continue to explore regional approaches to containing cocaine and marijuana trafficking through the Caribbean.

INM's Latin American regional account will continue to be dedicated to the containment of narcotics production and trafficking in Latin America and the Caribbean region. In Central America, manual eradication should suffice for the remaining cannabis crops in Panama, but chemical eradication programs will continue to be employed in Belize and Guatemala. We will be working with countries in the region to ensure that narcotics production and trafficking do not take root in new locations. In Paraguay and Venezuela, INM will be working with those governments to enhance their ability to stop chemical shipments, prevent major cocaine refining from taking place and reduce cocaine and coca product trafficking. In Brazil, where the difficulties of policing the vast Amazon region present special problems, financial support for enhanced law enforcement capabilities, such as the riverine boat program, are essential to the achievement of these goals. INM program money will also be used during 1988 to help Argentina, Chile, Haiti, and the Dominican Republic cope with their growing importance as cocaine refining and transit states.

#### Asia and Africa

INM will continue to work with Asian Governments to expand opium and marijuana eradication, and will urge countries to use herbicides in their eradication campaigns. The major emphasis in Thailand will be on elimination of the opium crop

and on delivering development assistance to the hilltribe population, reduction of the marijuana crop, and improvement of Thailand's enforcement operations. In Burma, INM will continue to support the opium eradication program which has not kept pace with expansion, urging that country to expand eradication into insurgent areas.

Pakistan has done well over the years in banning opium poppy from settled and merged areas, but now it must extend the long-standing ban on opium cultivation to the Dir and very much to the tribal areas like Bajaur and Mohmand, now the major centers for opium production. Much of the increased opium production in Southwest Asia is a response to local demand; Pakistan is still the dominant refiner of heroin intended for Western addicts. INM will continue to support eradication and enforcement and hopes to see improvement in destroying heroin laboratories, seizing contraband arresting major traffickers and breaking up distribution rings.

Turkey has proved effective in preventing diversion from its licit opium production, and has made inroads on illicit heroin refining and illegal opium cultivation. But, Turkey remains a major transit route to Europe and the United States; The National Police and Jandarma must increase their efforts to interdict illicit narcotics from Iran, Afghanistan and Pakistan, as well as control licit domestic opium production.

In Africa, INM will support small-scale enforcement projects to assist African governments confront the growing threats of heroin and cocaine, and build the expertise necessary for effective enforcement.

#### 1989 Plans

The President's FY 1989 budget request for the Department was based upon a FY 1988 Congressional request of \$98,750,000 and the continuation of programs begun with the expanded FY 1987 budget. With passage of the Anti-Drug Abuse Act of 1986 (PL 99-570), Congress gave the Department of State an additional \$53,000,000, or a total of \$118,445,000 for FY 1989. The FY 1989 request of \$101,000,000 will enhance those program initiatives funded in FY 1987 and FY 1988 as well as start new efforts in crop eradication.

Latin America. The prominence of Latin America and the Caribbean in the cultivation, production and transportation of illicit drugs to the United States requires that more than one-half of International Narcotics Control resources be directed to eradication and interdiction in this hemisphere. This area serves as the source for all the cocaine, most of the marijuana, and about a third of the heroin entering the United States. Bolivia and Peru produce by far the major share of the coca leaf among the Andean countries, i.e., approximately 150,000 hectares. Although coca leaf production is also increasing significantly in Colombia, it still remains the predominant refiner for the world's supply of illicit cocaine.

Colombia, Mexico, Jamaica, Belize and Paraguay are significant cultivators of marijuana. Moreover, in addition to producing major quantities of marijuana, several Central American and Caribbean states also produce marijuana and along with Mexico, serve as important transit points for cocaine. Mexico also produces at least 30 percent of the heroin arriving in the United States.

Significant accomplishments during 1987 include eradication of 85 percent of the marijuana cultivated in Colombia's traditional growing areas through aerially-applied herbicides; eradication of virtually all of Belize's marijuana; eradication of approximately 60 percent of Jamaica's marijuana through use of manual eradication and backpack sprayers; initiation of an aerial spraying campaign for marijuana and opium poppies in Guatemala and continued eradication of marijuana and poppies in Mexico. Additionally, the Department increased testing to identify a safe and effective herbicide against coca and supported an unprecedented enforcement effort in Bolivia and a serious voluntary eradication program which resulted in the destruction of over 1,000 hectares. Accomplishments in the area of institution building and enforcement include installation and successful utilization of a Joint Intelligence Center in the Dominican Republic; renewed enforcement efforts in Peru in spite of increased trafficker and insurgent violence in the area; Colombia's extradition to the U.S. of a major cocaine trafficker; and, the formation of an OAS Commission for Narcotics Control (CICAD).

Once an effective and environmentally safe coca herbicide is identified, the Department will seek permission from the Governments of Peru, Colombia, and Bolivia to begin test programs followed by full-scale application. The FY 1989 budget proposes expanded use of the centrally managed, interregional air support capability established in 1987. While its primary use will be to support coca eradication and enforcement operations in the Andes, it will also be used for drug control in other parts of the world.

Reflecting the Department's highest priority on cocaine reduction, three of the four largest programs are dedicated to coca reduction in the Andean region. In FY 1989, the Colombia program will seek funding for coca eradication to support anti-narcotics police enforcement efforts throughout the country and for the enhancement of the pilot riverine project to be started in FY 1988. In addition, it builds upon the existing 1987-88 aerial campaign to eliminate cannabis entirely, including in the newly-discovered areas around the Gulf of Uraba.

In Peru and Bolivia, FY 1989 funds will be used for both interdiction efforts and coca eradication. Enforcement assistance will continue to play a dominant role in these two countries, with special focus on sustained interdiction and security support for police and eradication workers.

In Brazil, FY 1989 funds will support riverine operations begun in FY 1988, as well as support ongoing manual marijuana and coca eradication efforts.

In FY 1989, funding is requested to cover increasing costs in maintenance support for the Mexican eradication fleet. The Department will continue to seek management improvements in all aspects of the Mexican campaign against opium poppies, as well as in the availability and utilization rates of the Mexican air fleet.

In the Caribbean, the Department will continue to press the Government of Jamaica to begin aerial eradication of marijuana to maximize efficiency and effectiveness. Funding will be provided for aircraft support in pursuit of both interdiction and eradication objectives.

Until FY 1989, assistance to Venezuela will be provided from the Latin American Regional Fund; however, with the signing in FY 1987 of a \$1.6 million program agreement and the recent opening of a Narcotics Assistance Unit in our Embassy in Caracas, a more comprehensive narcotics control package is required. Therefore, in FY 1989, a separate country program designation will be given to support the National Guard helicopter fleet for both interdiction and eradication.

The Latin American Regional program will also support eradication programs in Belize, Guatemala, and the Caribbean. Additionally, this category provides flexibility to provide resources for operations in countries that do not have separate budgets, upgrade the enforcement capabilities of police in many countries, and support such regional activities as the National Narcotics Border Interdiction System interdiction effort, joint maritime interdiction efforts, etc.

East Asia. The "Golden Triangle" countries, Thailand, Burma and Laos, will produce an annual opium crop estimated in excess of 1,400 metric tons in 1988 and 1989; the bulk of this opium comes from Burma and Laos. Significant initiatives in the area include the Burmese aerial eradication program, which has expanded every year since its introduction in 1985. Supported by U.S. Government funding for aircraft, equipment, and training, this spray program allows the Socialist Republic of Burma (SRUB) to reach previously inaccessible cultivation areas controlled by antigovernment insurgents. In FY 1989, resources will be provided to enable the Burmese Government to continue operations aimed at narcotics producing and trafficking groups. The Department will support the ongoing program to maintain and repair rotary-wing and fixed-wing aircraft previously supplied to the Burma Air Force and, to the extent possible, will also support Burma's medium-lift logistics requirements.

Thailand's opium production continues to decline due to the Government of Thailand's effective crop control policy. The FY 1988 budget provided funding to help the Royal Thai Government further reduce opium poppy cultivation by continuing "bridge" assistance to farmers who agree not to cultivate poppy or whose poppy crop is eradicated. The Department's goal continues to be the elimination of opium production in Thailand by 1990.

The Laotian opium situation will continue to present severe problems because cultivation and trafficking are expanding. Notwithstanding the absence of U.S. Government narcotics control programs in Laos, U.S. Government officials will continue to raise the issue of opium and marijuana control with the Laotians in both bilateral and multilateral forums.

Southwest Asia. Opium production in the Southwest Asian countries of Afghanistan, Pakistan, and Iran was estimated at 740-1,060 metric tons in 1987, with prospects for reductions only in Pakistan where an aerial spray program has been implemented during the 1987 and 1988 crop seasons. Nearly half the heroin marketed in the United States is estimated to be derived from Southwest Asia opium. In response to the serious increases in opium cultivation, the Government of Pakistan has enforced the poppy ban in all settled and merged areas with or without the promise of development projects. Pakistan has also accepted restrictive poppy clauses which

commit the Government to keeping the U.S. Government's AID project areas free of opium poppy and, in late 1986, the Government of Pakistan initiated an aerial opium eradication program to destroy the illicit cultivation.

In FY 1988, the Department will support the extension of Pakistan's ban on opium poppy cultivation by introducing improved agricultural crops and by making minor improvements on irrigation systems as part of the Department's continuing agricultural outreach program in the Malakand and Dir areas. In FY 1989, the Department will continue the implementation of this effort as well as pursue other outreach activities to prevent the spread of opium poppy cultivation and help poppy growers substitute other new crops in areas where major development assistance projects are not being carried out.

In Turkey, the Department will continue to provide commodities to support the narcotics interdiction capabilities of both the Turkish National Police and the Jandarma. Funding is also included to support a regional telecommunications advisor in Pakistan to work with counter-parts in Turkey, Pakistan, Burma, Thailand, and other countries in Asia. Limited commodity support for other enforcement activities in Southwest Asia may also be provided as requirements are identified.

Interregional Aviation Support. In FY 1989, introduction of an effective aerial coca control herbicide will require that the aerial eradication program be expanded from the opium and marijuana producing countries to support the major coca producing countries. The program will require funds to support the overall maintenance, hangaring, and some operational costs for the Department-owned air assets. Based on evolving needs in cooperating countries, additional helicopters, fixed-wing eradication and cargo aircraft may be procured to provide support for cooperating countries of Central and South America and Southeast Asia as eradication and interdiction programs are expanded.

Interregional Training/Demand Reduction. Under the FY 1989 international narcotics control training program, the Department will continue to fund U.S. Drug Enforcement Administration and U.S. Customs Service training of approximately 2,000 foreign officials from 55-60 countries through 50 in-country programs, 14 programs in the United States, and 30 Executive Observation Programs. Increased emphasis on other Department of State-sponsored programs, e.g., maritime interdiction training and narcotic detector dog training.

The Department's centrally-managed public diplomacy and demand reduction program contributes to international narcotics control by mobilizing support for narcotics control policies and programs in key producing and transiting countries. These projects encourage greater political and public awareness of the link between domestic drug abuse, international trends in production and trafficking, and the steps which societies and governments can take to control the problem. The program also provides technical assistance in the areas of drug abuse prevention, treatment, and related research to help countries such as Pakistan, Ecuador, and Bolivia deal with their domestic drug problems.

International Organizations. The FY 1989 budget will provide limited funding for the United Nations Fund for Drug Abuse Control (UNFDAC), the Colombo Plan's

efforts for regional narcotics control activities, and expanded drug programs undertaken under the auspices of other international organizations such as the Organization of American States (OAS), Pan American Health Organization (PAHO), etc.

V. THE FY 1989 BUDGET

FY 1989  
International Narcotics Control Program  
Fiscal Summary  
(\$000)

<u>COUNTRY PROGRAM</u>	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Request</u>
<u>LATIN AMERICA</u>			
Bolivia	\$12,540	\$15,000 <sup>2/</sup>	\$10,000
Brazil	3,325	1,400	1,600
Colombia	11,553	11,000	10,000
Ecuador	1,178	1,000	1,600
Jamaica	3,330	2,000	1,000
Mexico	14,500	14,500	15,000
Peru	8,430	5,500	10,000
Venezuela	--	--	1,000
<u>Latin America Regional</u>	<u>10,111</u>	<u>7,000</u>	<u>6,000</u>
Subtotal	64,967	57,400	56,200
<u>EAST ASIA</u>			
Burma	9,417	7,000	7,000
<u>Thailand</u>	<u>4,738</u>	<u>4,000</u>	<u>3,900</u>
Subtotal	14,155	11,000	10,900
<u>SOUTHWEST ASIA</u>			
Pakistan	6,900	4,800	5,300
Turkey	745	700	750
<u>Asia/Africa Regional</u>	<u>624</u>	<u>450</u>	<u>450</u>
Subtotal	8,269	5,950	6,500
<u>INTERREGIONAL AVIATION SUPPORT</u>	17,834	14,500	18,000
(TOTAL COUNTRY PROGRAMS)	105,225	88,850	91,600
<u>INTERNATIONAL ORGANIZATIONS</u>	4,000	1,100	1,100
<u>TRAINING/DEMAND REDUCTION</u>	7,020	5,500	5,000
<u>PROGRAM DEVELOPMENT AND SUPPORT</u>	2,194	3,300	3,300
(TOTAL INM PROGRAM)	\$118,439 <sup>1/</sup>	\$98,750	\$101,000

- <sup>1/</sup> Includes \$53 million from the Anti-Drug Abuse Act of 1986 (P.L. 99-570).  
<sup>2/</sup> The \$15 million program budget for Bolivia was mandated by Congress in its FY 1988 Continuing Resolution.



INTERNATIONAL NARCOTICS CONTROL PROGRAM  
BY FUNCTIONAL ACTIVITY  
(\$000)

	<u>Actual</u> <u>FY 1987</u>	<u>% of</u> <u>Total</u>	<u>Planned</u> <u>FY 1988</u>	<u>% of</u> <u>Total</u>	<u>Request</u> <u>FY 1989</u>	<u>% of</u> <u>Total</u>
<u>CROP CONTROL/ERADICATION</u>	\$52,673	45	\$43,455	44	\$45,021	44
<u>ENFORCEMENT ASSISTANCE</u> <u>AND INTERDICTION</u>	46,367	38	35,210	36	35,059	35
<u>INCOME REPLACEMENT/</u> <u>DEVELOPMENT ASSISTANCE</u>	1,500	1	3,350	3	3,550	3
<u>INTERNATIONAL ORGANIZATIONS</u>	4,000	3	1,100	1	1,100	1
<u>INTERNATIONAL DRUG DEMAND</u> <u>REDUCTION</u>	1,975	2	1,575	2	2,065	2
<u>TRAINING</u>	4,695	4	4,750	5	4,500	5
<u>PROGRAM DEVELOPMENT AND</u> <u>SUPPORT</u>	<u>7,229</u>	<u>7</u>	<u>9,310</u>	<u>9</u>	<u>9,705</u>	<u>10</u>
TOTAL PROGRAM	\$118,439	100	\$98,750	100	\$101,000	100

## VI. 1987 COUNTRY SUMMARIES

Afghanistan, which was denied certification in 1987, remains a major producer of opium and hashish as well as an important refiner of heroin. Opium production is estimated at 400-800 metric tons for 1987, with no expectation of reductions in 1988. There are indications that the regime in Kabul as well as the Soviets are encouraging opium production in some sectors for political reasons. An estimated 70 percent of its opium production and all of its heroin yield (as well as 90 percent of its hashish) is exported for consumption in the U.S., Europe and elsewhere, including the burgeoning addict population in Southwest Asia. Although there is an anti-smuggling unit in the Interior ministry, there is no known eradication program nor verified estimates on seizures or other enforcement actions. The Afghan Government does not cooperate with U.S. officials.

Argentina experienced a significant increase in cocaine trafficking in 1987, up to an estimated 500 kilograms per month or 6 metric tons a year. Refining of cocaine from Bolivian paste also increased to an estimated new high of 3.2 metric tons. The Government of Argentina has set destruction of cocaine labs as a priority for 1988. While cooperation with DEA and other U.S. Government agencies remains excellent, budget constraints limited the Alfonsin Administration's efforts to build upon its promising enforcement efforts of 1986. Consequently, arrests and seizures did not keep pace with the increase in trafficking and refining. There is, however, heightened public awareness, with political leaders of all persuasions acknowledging the seriousness of the problem.

Australia is not a producer of illicit narcotics and has yet to figure significantly as a transit country. It is, however, an important consumer of illicit narcotics produced or trafficked through Southeast Asia and the Pacific. The Australian Federal Police has identified drug trafficking as its highest priority. Australian enforcement agencies consider drug abuse to be the country's primary social problem. There is evident public awareness of the seriousness of the problem. U.S. objectives in Australia are similar to those in other developed countries, and include cooperation on curbing trafficking and supporting efforts to reduce demand.

The Bahamas is a major transit country for cocaine and marijuana destined for the United States. The Bahamian Government welcomed increased joint interdiction efforts in 1987, which included enlarging Operation BAT to a seven day, twenty-four hour mission capability. U.S.-Bahamian interdiction teams seized approximately 147 tons of marijuana and 25,000 pounds of cocaine. Both figures reflect unprecedented progress when measured against seizures in previous years. The U.S. and Bahamian Governments plan to strengthen joint interdiction capabilities further in 1988 through improved communications and radar coverage and through expanded maritime activities. By late 1987, the Bahamian Government announced plans to expand and strengthen narcotics law enforcement units in preparation for assuming a larger unilateral role in the interdiction of drugs and traffickers. Narcotics-related corruption, however, continued to be a serious concern in 1987, with few investigations or prosecutions of corrupt officials taking place. A Mutual Legal Assistance Treaty was negotiated with the Bahamas, and new Bahamian banking regulations have made money laundering more difficult.

Belize changed its eradication strategy in 1987 to respond to new growing patterns. Three U.S. Government-assisted aerial eradication campaigns destroyed an estimated 80 percent of the marijuana crop. There is evidence that Belizean traffickers, deprived of marijuana, are using their established supply routes to smuggle cocaine to the United States.

Bolivia initiated a coca eradication program in August, 1987, in accordance with a new U.S.-Bolivian narcotics control agreement. By year's end Bolivian narcotics control personnel had destroyed 1,000 hectares out of 1,800 hectares targeted for voluntary eradication in the year ending August, 1988. Eradication is being carried out under a first-ever program which permits cash payments for labor to participating farmers, and development assistance to villages and areas which eradicate substantial hectarage. The critical assessment of Bolivia will come in August, 1988. Under the agreement the Bolivian Government must demonstrate compliance with first year voluntary eradication goals and be prepared to begin involuntary eradication. U.S. assistance and training considerably improved the enforcement capability of the Bolivian Police, which seized six tons of cocaine products and destroyed more than a thousand processing sites. There were few arrests or prosecutions, however, and corruption, exacerbated by economic conditions, remains an endemic problem.

Brazil is a significant producer of marijuana; virtually all of the drug, however, is consumed locally. Brazil continues to be an important transit route for cocaine and marijuana, as well as a major producer of acetone and ether used in refining cocaine hydrochloride. The country's increasing domestic drug problem is attributed in large part to the expansion of drug production and trafficking. Although the Government of Brazil (GOB) has a small, efficient police narcotics control unit, resource constraints and economic difficulties greatly limit its effectiveness. In 1987, the police tripled the results of the 1986 enforcement effort, destroying 82 million marijuana plants and 18 tons of packaged marijuana, as well as 2,650 tons of coca leaf. At the same time they seized nearly a ton of cocaine. The likelihood is that the drug problem will increase with the expanded cultivation of epadu, a local variety of coca, which grows under the jungle canopy and is not susceptible to aerial spraying techniques. Reacting to increasing cross-border operations, especially from Bolivia and Colombia, Brazil added forces to its frontier areas in 1987.

Bulgaria increased in importance as a transit country in 1987, with an estimated one ton of heroin crossing the country. The Bulgarian Government states that it has cracked down on drug smugglers who once operated freely in Sofia. Cooperation with U.S. authorities, especially with DEA on investigations and on drug seizures, improved in 1987.

Burma continues to be the world's largest producer of illicit opium, with 1987 production estimated at 925-1230 metric tons, compared to 700-1100 metric tons in 1986. Burmese Government agencies destroyed 16,279 hectares of opium poppy in 1987, despite having to curtail spraying to counter a major offensive by the Burmese Communist Party, which controls a substantial portion of the prime opium growing area. The 1988 target is 20,234 hectares, much of it to be destroyed by aerial spraying. The Burmese continued their very active program of destroying heroin laboratories, intercepting opiate caravans, and seizing precursor chemicals and other contraband.

The People's Republic of China has witnessed an increase in transshipments of heroin from the Golden Triangle, as traffickers take advantage of China's new "open door" policy. The Chinese government has demonstrated a strong commitment to suppressing illicit drug trafficking. Its new leaders recognize the threat and have begun to build an effective drug enforcement capability. The Chinese have received training from both DEA and Customs, and enhanced their liaison with Interpol and other international organizations. Cooperation with the U.S. has been good, both on enforcement and at the U.N. Commission on Narcotic Drugs.

Colombia continues to mount a multi-faceted program of eradication and interdiction, with well-trained police. The marijuana spray program has been very effect in traditional areas. Yet, Colombia continues to endure the violence of narcotics traffickers, whose long list of political assassinations continued into 1988 with the shooting of the Attorney General. Although drug lord Carlos Lehder was extradited to the United States, a key trafficker, Jorge Ochoa succeeded in gaining release from a Colombian prison. Subsequent to Ochoa's release, U.S. Customs officials concluded that little control existed over narcotics traffickers operating in Colombia. One result of this conclusion was a program of intensive inspections of passengers and cargo from Colombia to impede the flow of narcotics from emboldened traffickers. A major weapon in the anti-drug arsenal was lost when the Colombian Supreme Court invalidated the implementing legislation for the U.S. extradition treaty and denied President Barco certain state of siege authorities.

Despite the marijuana eradication campaign's continuing success in reducing marijuana cultivation in the traditional zones, newly discovered cultivation in other areas pushed total annual production figures higher than in 1986. Colombia continued to cooperate in the search for an effective anti-coca herbicide, and in the destruction of cocaine laboratories. A major coca destruction program, however, did not materialize. Colombia continues to be reluctant to attack cocaine laboratories in insurgent territory.

Costa Rica may become a more important transit route for South American cocaine and marijuana traffickers seeking new routes away from areas where current U.S. pressure is being applied.

Cuba is located amid the major air and sea routes used to smuggle narcotics into the United States. U.S. law enforcement agencies report the routine use of Cuban airspace and waters by narcotics smugglers as safehaven against U.S. interdiction efforts. Given the frequency of these transits, it is possible that at least some of them occur with direct or tacit Cuban government permission. The U.S. indicted four senior Cuban officials in 1982, but these cases have not been brought to trial because the defendants could not be extradited from Cuba. Cuban authorities have repeatedly denied any Cuban involvement in such activities. An indictment handed down in the U.S. in February against Panamanian military leader Manuel Noriega also charged that Castro mediated a drug-related dispute between Noriega and top Colombian traffickers. Little information is available on drug trafficking for domestic use in Cuba, other than minimal references to problems with foreign tourists. Narcotics arrests, when they occur, typically involve foreigners trafficking in Colombian or Jamaican marijuana. There is no cooperation with U.S. enforcement agencies.

Cyprus has become a major center for brokering and paying for narcotics transactions, especially drug deals involving Middle Eastern traffickers. While there is little traffic in actual drug contraband, Southern Cyprus has become significant for brokering Lebanese drug production, while Northern Cyprus is used to broker some narcotics which have transited Turkey from the Middle East. Officials believe there is no money laundering per se involving the Cypriot banking system, but that money does change hands in Cyprus. Several prominent Lebanese narcotics trafficking groups use Cyprus as a drug-brokering center. There are also a number of Lebanese confessional/political factions who use Cyprus to finance operations running the gamut from arms smuggling to terrorism and other crimes. There is close cooperation with U.S. and other enforcement agencies.

The Dominican Republic serves as a transit point for cocaine, and to a lesser degree, marijuana shipped from South America to the United States. There is no significant cultivation in the Dominican Republic, nor evidence that its banking system is used to launder money. The Joint Information Coordinating Center, established with U.S. Government assistance, has proven valuable in making several large seizures. In addition, the Dominican Republic has played a role in assisting U.S. agencies with interdiction programs in the Bahamas and the southeastern United States.

Ecuador successfully destroyed much of the coca cultivation which began in 1984 and is no longer considered a major source country. Although some cocaine trafficking continues, the Ecuadorean National Police maintain a vigorous program to interdict shipments of cocaine and precursor chemicals, and also to suppress cocaine refining laboratories. While banking laws offer the potential for money laundering, there is little evidence of such activity.

Egypt has become increasingly significant as a trafficking and consuming country. The U.S. Government concentrates on assisting the Egyptian Government in preventing Egypt from becoming a major transit point for narcotics destined for the United States. Traffickers from both Southwest and Southeast Asia, however, use Egypt as a transit point for heroin and opium moving to Europe and North America. Seizures by Egyptian authorities, up in 1987, indicate a dramatic increase in heroin flowing from Syria and Lebanon, which are also sources and transit points for the hashish widely used in Egypt. Cannabis and opium are grown locally, but not in sufficient amounts to meet Egyptian demand. Egypt, which cooperates effectively with U.S. agencies, succeeded in arresting two of its top 10 traffickers in 1987, and made the largest seizure of hashish (17 tons) in its history.

Greece is increasing its narcotics interdiction efforts to counter a recently expanding narcotics trade. The country has become a transit point for illicit narcotics targeted on Europe and the United States, especially drugs produced in the Middle East and Asia. Pakistani heroin and Syrian/Lebanese hashish are the principal drugs. The Government's enforcement efforts are increasing by expanding enforcement services and passing comprehensive narcotics control legislation, but are hampered by budgetary restraints. The Government of Greece depends heavily upon foreign assistance for training and financing, mostly from the U.S.

Guatemala is both a transit area for South American cocaine, and a producer of opium poppy and marijuana. As much as 10 tons of cocaine are estimated to have transited Guatemala in 1987. An estimated 300 hectares of opium poppy were under cultivation in 1987, theoretically enough to produce three tons of opium, which is smuggled into Mexico for processing. Opium poppy will be eradicated through chemical spraying. Marijuana cultivation, which has also been destroyed through chemical spraying, may have totalled 325 hectares in 1987.

Haiti remained a significant transshipment point for illegal narcotics, particularly cocaine, in 1987. It appears that new Haitian traffickers, in collusion with Latin American counterparts, have filled the vacuum left by the Duvaliers. Despite increased seizures and other enforcement efforts, U.S. officials believe the volume of trafficking has vastly outstripped the capabilities of Haitian security forces. Enforcement is further hampered by limited police training and resources, corruption, a weak judicial system, and an unpatrolled coastline. DEA reopened its office in November and reports several successful interdiction operations.

Honduras is a transfer point for significant quantities of cocaine from Colombia to the United States. For example, in November 1987, 8,000 pounds of cocaine were seized in a shipment of wood products from Honduras. Earlier, 5,000 pounds of Colombian cocaine were discovered in Florida in a container of Honduran plantains. The trafficking networks using Honduras are primarily run by U.S. citizens or Colombian nationals. Matta Ballesteros, a Honduran who was a major figure in Colombian and Mexican trafficking, re-established his residence in Honduras after escaping from a Colombian jail. He is believed to have continued his trafficking activities in Honduras. Honduras has taken several steps to improve cooperation with U.S. officials, including Coast Guard and DEA.

Hong Kong is considered to be the premier narcotics money laundering center for Southeast Asian narcotics trafficking. It is also an important transiting center. U.S. Government officials believe that half of the heroin No. 4 entering the territory may be destined for the United States. There is considerable trafficking in heroin base, which is converted in Hong Kong into heroin No. 3, the drug of choice for the vast domestic drug consuming population. An estimated one in every 140 persons is believed to be a drug addict. Police and customs drug enforcement units are well-trained and efficient and have cooperated in efforts to root out corruption. Hong Kong maintains close links with U.S. and international drug enforcement agencies. Hong Kong has begun enforcing its own form of a racketeer-influenced criminal organization law, and has revised its banking laws to facilitate release of information for drug-related investigations.

India is the world's leading producer of licit opium (more than 800 mt in 1986-87) and a major supplier for the world pharmaceutical markets. In recent years, India has also become a major transit route for Southwest and Southeast Asian heroin, as well as precursor chemical traffic. While Indian Government authorities continue to deny the existence of illegal opium cultivation, some Indian officials believe that there may be as much as a 5-10 percent diversion from licit production, but U.S. officials believe the figure is much higher. It is believed that there are now hundreds of thousands of heroin addicts in India, consuming the bulk of the illicit domestic production of heroin and opium. U.S. agencies receive good cooperation from India. India has formed an

elite investigative unit which is attracting talented professional investigators.

Indonesia is a transit point for some heroin and opium from Thailand, hashish from Nepal and for precursor chemicals. Heroin is re-exported to Australia, New Zealand and Western Europe. The amounts reaching the U.S. are not believed to be significant. Chinese traffickers control most of the heroin trade. Some cannabis is grown in Indonesia, but most of its marijuana production is consumed locally. Eradication is conducted by local police.

Iran was denied certification in 1987 and has not yet cooperated with U.S. authorities on narcotics control. Its production of 200-400 metric tons of opium does not meet internal demand, so traffickers import heroin and opium from Afghanistan and Pakistan to supply Iran's estimated one million addicts. Despite this high internal demand, some portion of opiates produced in Iran are shipped to the West to take advantage of higher opium prices outside Iran. The Government maintains that it has eliminated opium production, but U.S. officials believe it continues at the 200-400 mt level, and that Iran is also a transit route for Afghan and Pakistani shipments of opiates.

Jamaica has significantly improved its marijuana eradication program using a combination of manual and herbicidal methods. In 1987, it drove net production down from 1,755 metric tons in 1986 to 455 metric ton, representing the mid-point of a range. Jamaica, however, remains an important transit point for South American cocaine. Authorities must counter an organized effort to smuggle marijuana (ganja) in by air and sea. Fines imposed by the U.S. Government on Air Jamaica, have put pressure on the country to improve its interdiction efforts. While Jamaica is making progress in its enforcement efforts, it remains heavily dependent upon the U.S. Government for assistance and training.

Kenya is a significant producer of cannabis, some of which is exported to Europe. Kenya has grown in importance as a transit point both for heroin bound for Europe, Southern and Western Africa and the U.S. and, to a lesser degree, for methaqualone destined for S. Africa. Kenyan police and customs authorities are only now beginning to apply limited resources toward narcotics interdiction, and are seeking outside assistance.

Laos is an increasingly important cultivator of illicit opium and cannabis. Production of heroin has increased significantly, amid charges that Laotian officials and companies are involved in the narcotics trade. There is little prospect for a reversal of these trends in the near future.

Lebanon is reportedly the world's major producer of hashish, as well as a key processing and transit point for heroin. In addition, Lebanon is a transit point for cocaine and other drugs. The central government, however, has little control over the countryside, where armed militia factions and Syria hold sway. Most of the cannabis and opium poppy cultivation and refining takes place in the Bekaa Valley, which is under Syrian military control. U.S. officials dispute Syrian claims of extensive opium crop eradication.

Malaysia, which considers drug trafficking its major national security concern, imposes

some of the world's most severe drug penalties. It cooperates closely with U.S. Government agencies, and plays an important role in multilateral anti-drug efforts. In recognition of his government's commitment to narcotics control, Prime Minister Mahathir was elected President of the United Nations' International Conference on Drug and Abuse and Trafficking (ICDAIT). Malaysia does not cultivate opium poppy, but is considered a major transit and refining center for imported morphine and heroin base smuggled from Thailand. Although the opiates primarily supply Malaysia's own addict population, heroin is also shipped to Europe and Australia. While most of the traffic is in heroin No. 3, some heroin No. 4 bound for the United States also transits Malaysia. The drug scene in Malaysia is dominated by ethnic Chinese traffickers.

Mexico remains the largest single country source for heroin and marijuana entering the United States. Mexico also serves as a major transit route for U.S. cocaine imports. Mexico has a broad-based anti-narcotics program, including crop eradication, interdiction of shipments, suppression of refining laboratories, and efforts to increase public awareness. The Mexican government has committed its military as well as its police force to the anti-drug campaign. Although the Mexican authorities eradicated greater quantities of marijuana, net production increased in 1987. In addition, the number of hectares of opium poppy eradicated increased marginally in 1987. To improve joint law enforcement cooperation, Mexico signed and ratified a Mutual Legal Assistance Treaty and agreed to cooperate in a number of ways with Operation Alliance. It has also cooperated in returning some fugitives to the United States. The Mexican Government has, however, turned down a U.S. request for unrestricted access to Mexican airspace to permit the pursuit over Mexican territory of suspected drug-carrying aircraft. The Mexican Government's cooperation with the U. S. Government investigation of the Camarena case has not been at the level of which Mexico is capable. U.S. Customs believes that official corruption within high levels in the Mexican government continues to present the most serious impediment to effective narcotics cooperation with Mexico and is investigating instances of offers of protection by Mexican authorities to organizations involved in smuggling drugs into the United States. To-date, twenty current or former Mexican government officials (Army, police and Customs officers) have been arrested, indicted, or have been the subject of arrest warrants.

Micronesia, which is reported on in the INCSR to fulfill Congressional requirements, cultivates fewer than 10 acres of marijuana, all for local consumption.

Morocco is a source of cannabis, cultivated to produce hashish. Much of the marijuana, and some of the hashish is consumed locally. Hashish exports are mostly destined for Western Europe and neighboring African countries. It is also considered a transit point for Latin American cocaine and Asian heroin bound for Europe. The Moroccan Government concentrates on intercepting cannabis exports. In 1987, however, it received a grant from the United Nations Fund for Drug Abuse Control for a cannabis substitution and eradication program. At present, this limited program is not expected to make major inroads into cannabis production. There were no narcotics cases requiring U.S. cooperation in 1987. A Mutual Legal Assistance Treaty approved in 1983 has yet to be ratified by Morocco.

Nepal improved its narcotics enforcement efforts again in 1987, including unprecedented arrests and newly intensified cooperation with U.S. agencies. Much



remains to be done, however. Trafficking is expected to continue at high levels in response to increased cannabis and heroin use.

New Zealand is not a major narcotics producing or transit country, and narcotics problems do not have significant social, economic or political impact. There are good relationships with U.S. enforcement agencies and sharing of intelligence.

Nicaragua maintains that it has no drug problem, and officials deny that it supports or abets trafficking. There is little indication of cultivation, production or refining of illicit drugs, but there is information indicating past involvement of government officials. This support has taken the form of providing overflight clearance for drug-carrying aircraft, and even granting of landing rights. In 1986, a federal grand jury in Miami indicted Federico Vaughn, a close associate of Interior Minister Borge, on the grounds that Vaughn had ties to the Medellin cocaine cartel in Colombia. No other indictments have been handed down.

Nigeria is a major transit country for both heroin and, to a lesser extent, for cocaine. Consequently, it is experiencing problems of abuse of both drugs, as well as of amphetamines, methaqualone and Indian hemp. A substantial public awareness campaign was launched in 1987. There is good cooperation with DEA, but enforcement remains weak and there are indications of high level corruption.

Pakistan undertook a major program of crop eradication in 1987, including aerial spraying, but eradication gains were matched by expansion of cultivation to new areas, leaving net production essentially unchanged from the previous year. U.S. Government estimates of opium production range as high as 135-160 metric tons, approximately the same as in 1986. Pakistani opium production is being driven to an ever-greater extent by the country's fast-growing number of heroin addicts, now estimated to be in excess of 600,000, and Pakistan is probably a net importer of opium. The country's continuing major importance to the U.S. is as a refining site and transit point for Southwest Asian opium gum converted into heroin for the U.S. and European markets. U.S. assistance is aimed at improving the enforcement as well as the eradication capabilities of Pakistan, but local authorities are hard put to keep pace with the activities of major traffickers and refiners.

Panama continues to be the major Latin American center for laundering narcotics profits. U.S. agencies experienced mixed cooperation on money laundering investigations in 1987, ranging from good for DEA down to unsatisfactory for the FBI and others. Panama was successful last year in suppressing traffic in cocaine and precursor chemicals and is reducing its very small marijuana production. In February, Panama Defense Forces (PDF) Commander General Manuel Antonio Noriega was indicted on drug trafficking and drug-money laundering charges by federal grand juries sitting in Tampa and Miami. These cases are still pending. Some U.S. law enforcement authorities believe that General Noriega and the Panamanian Defense Forces cooperate only when it is in their interest to do so, and that full cooperation with the current regime in Panama is simply not possible.

Paraguay is a major marijuana producing and trafficking country, harvesting 3,000 tons of marijuana annually, most of which is shipped to Brazil and Argentina. There is evidence of cocaine refining and trafficking from Bolivia. There are also indications

that officials of the Stroessner government and the ruling Colorado party are involved in the trafficking. More information should become available once DEA reopens its office in Asuncion this year.

Peru continues to be the world's foremost producer of coca leaf, with 1987 production rising to about 109,000 metric tons. Enforcement efforts continue to be hampered by the terrorist acts of the traffickers, and violence from political insurgent groups such as Sendero Luminoso and the Tupac Amaru Revolutionary Movement (MRTA). U.S. Government-provided aircraft were used to support an expanded interdiction effort, which had mixed results. The same daunting obstacles kept the eradication program from reaching the projected goal of 6,000 hectares. The Government of Peru continues to show a strong willingness to cooperate in eliminating coca production and drug trafficking.

The Philippines continues to serve as an operational planning area and transshipment point for heroin and marijuana destined for the United States, Guam, Europe and Australia. Although cannabis cultivation is widespread throughout the islands of the Philippines, it is not considered to be a significant cash or subsidiary crop. Most of the marijuana is consumed within the country. The Philippine Government alleges that Communist and Muslim insurgents are responsible for most of the marijuana cultivation and distribution. The Government of the Philippines has an active narcotics control program which focusses heavily on enforcement activities. There is also an eradication program which destroyed over ten million cannabis plants.

Senegal is not a major producer or trafficking country. In 1987, Senegalese narcotics officers broke up a major cocaine trafficking ring and sharply increased seizures of heroin. Officials fear that Senegal could become a major East-West or North-South trafficking route. They are also concerned about an expansion of drug abuse in Dakar. The Government will soon announce a new national strategy, but police resources are thin, and Senegal is looking for outside resources to match its demonstrated political will.

Singapore is not a producer or refining country. It continues to be a transit point for Southeast Asian heroin, however. There is evidence that Asian traffickers use Singapore as a center for narcotics transactions and financial arrangements. Officials are aware of U.S. Government concerns that Singapore may become a major money laundering center.

Syria remains under U.S. sanctions for its involvement in both terrorist and narcotics activities. There is little progress to report on narcotics control, with drug trafficking continuing through Syria. Moreover, the Syrian military still controls Lebanon's Bekaa Valley, where there is extensive opium poppy cultivation and through which most of the Lebanese heroin, cocaine, and hashish passes.

Thailand is a major supplier of heroin and cannabis for the United States. It is primarily of concern to the U.S. as the transit route for Southeast Asian heroin destined for the United States. Much of the domestic opium production and opium imports are used to satisfy domestic demand. U.S. agencies receive very good cooperation in their investigations, and in turn assist Thai units in their multi-faceted program to destroy crops and heroin labs and suppress trafficking on the border with

Burma.

Turkey continues its highly effective program of preventing illicit opium poppy cultivation and suppressing heroin refining. Although the Turkish Government had an excellent record of drug seizures in 1987, Turkey remains a significant transit point for heroin and other drugs smuggled from Asia into Europe.

Venezuela is increasingly concerned about Colombian traffickers growing cannabis and coca on both sides of the border, and using Venezuelan routes for trafficking in cocaine and marijuana. The Government of Venezuela intensified its border control efforts in 1987. It committed new military and national guard resources for interdiction and cannabis/coca eradication. An estimated 15 to 20 tons of cocaine transit Venezuela, much of it destined for the United States.

## VII. MONEY LAUNDERING

While significant actions against money laundering were taken in 1987, the foreign policy and enforcement communities agree that much more action needs to be taken by all affected governments to curb narcotics money laundering. To meet Congressional reporting requirements, this chapter reports on U.S. activities to increase the investigation and suppression of narcotics money laundering, and importantly, to curb narcotics money flows.

It is important, as we noted in the 1987 report, to understand that money laundering is a vital component of drug trafficking operations throughout the world; laundering schemes do not merely provide the conduits for financing narcotics ventures, they also conceal the true nature or source of narcodollars and disguise those funds to make them appear legitimate. Thus, tracing and seizing and otherwise interrupting the flow of narcodollars is an important part of the overall effort to disrupt narcotics production and trafficking. There are still no definitive answers to such questions as: What happens to all of the profits generated by illicit narcotics production and trafficking? There is an answer of many parts: some profits are used to sustain trafficker networks and operations; the larger shares are used for various licit and illicit investments, or to indulge luxurious life-styles, or to support political insurgencies, or to pay off corrupt officials and politicians, or to finance other kinds of illicit criminal activity.

In preparing the 1988 INCSR report and recommendations to the President on certification, the Department of State, in consultation with other agencies, has made money laundering a primary issue in assessing narcotics control cooperation with certain countries, notably Panama and Hong Kong. Central to the determination of which countries are subject to certification is the statutory definition of "major drug transit country." The information available on this issue varies in quality and quantity by country.

In this regard, Congress is advised that the Department of State continues to believe, after consideration of reports and other information provided by U.S. Embassies, by the Departments of Justice and Treasury, and the intelligence community, that the presence or absence of Mutual Legal Assistance Treaties is not, by itself, a controlling factor in assessing cooperation.

### THE CONGRESSIONAL REQUIREMENT

The Anti-Drug Abuse Act of 1986, P.L. 99-570, amended Sec. 481(h) of the Foreign Assistance Act to require the Department of State, in determining whether major producing and transit countries had taken adequate steps to cooperate with the United States on narcotics control, to consider, inter alia, whether such governments have cooperated fully (or taken adequate steps on their own) to prevent and punish the laundering of drug related profits or drug-related monies.

Congress elaborated the scope of its inquiry by defining a "major drug transit country," to include countries "through which significant sums of drug-related profits or monies are laundered with the knowledge or complicity of the government."

Specifically, Congress directed that the President, in certifying such cooperation, consider whether such countries had taken the legal and law enforcement steps to eliminate, to the maximum extent possible, the laundering of drug-related profits or drug-related monies, as evidenced by: (a) the enactment and enforcement of laws prohibiting such conduct; (b) the willingness of such governments to enter into mutual legal assistance agreements with the United States governing (but not limited to) money laundering; and (c) the degree to which such governments otherwise cooperate with United States law enforcement authorities on anti-money laundering efforts.

Because narcotics law enforcement agencies and policymakers must distinguish between those countries where narcotics profits are actually laundered, as opposed to countries which merely lie on the geographic path, the definitions of money laundering activities afforded by other sections of law are employed in this report.

This report employs the terms of reference contained in the Money Laundering Control Act of 1986, which became Subtitle H of Title I of P.L. 99-570. Money laundering occurs whenever a person, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity (e.g., narcotics trafficking), conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity (a) with the intent to promote the carrying on of specified unlawful activity, or (b) knowing that the transaction is designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity, or to avoid a transaction reporting requirement. The offense of money laundering also occurs with respect to the transporting of monetary instruments or funds with the intent to carry on a specified unlawful activity, or when the person knows that the instruments or funds represent the proceeds of some form of unlawful activity, and knows the transport is designed to conceal the nature, location, source of ownership or control of such instruments or funds.

A "transaction" includes a purchase, sale, loan, pledge, gift, transfer, delivery, or other disposition. With respect to a financial institution, it means a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or any other payment, transfer or delivery by, through or to a financial institution.

#### HOW MONEY IS LAUNDERED

Cash is the medium of exchange in the world of drugs, and "drug money laundering" is the process of changing the money gained from narcotics operations from cash into a more manageable form of cash or other form of proceeds while concealing its illicit origins. Typically, the process involves use of foreign bank accounts and a series of intermediate shelters for money, such as dummy corporations set up to offer plausible explanations for money and to confuse investigators. Many techniques for laundering drug money were developed by other businesses to evade taxes, but because of the large amounts of cash and the special risks that accompany the movement of drug money, the narcotics trafficker's laundering needs are unusual.

Drug traffickers prefer a climate of political stability; regulations that assure a

degree of bank secrecy; little or no tax liability; if possible, systems where large scale bribery and corruption may be available options; and a financial system sophisticated enough to handle large transactions efficiently. Historically, money laundering centers have developed where some combination of these characteristics exists, as in Panama, the Bahamas, the Cayman Islands, Switzerland, and the Channel Islands, rather than in solely drug producing nations.

Narcodollar laundering operations are usually isolated from production and trafficking activities, not only because of the enforcement pressures cited above, but also because of their differing financial requirements and traffickers desire to keep these operations compartmented.

The Caribbean Basin is the first stop for most Latin American drug dollars moving through international channels. For both the foreign suppliers and their U.S. distributors, the Caribbean Basin has long been a natural stop because of its proximity to the United States, high levels of corruption, and the region's many financial centers with secrecy laws and lenient taxes. Most of the rest of the laundered funds, mainly relating to heroin trafficking, go to Western Europe and Hong Kong.

In some European countries, bank secrecy is a product of history and strongly held beliefs concerning individual privacy and the sanctity of contracts. It is, therefore, important to bear in mind whenever discussing a country with strict banking secrecy laws that, in most instances, those laws do not exist for the purpose of facilitating money laundering or of hiding the sources of funds.

Drug money moves into international channels in four basic ways:

(1) Large amounts of U.S. currency -- estimated in billions of dollars annually -- are physically moved out of the United States and deposited in financial institutions abroad. Drug traders using this method must deal with the problem of bulky shipments moved under risky conditions and with U.S. reporting requirements for cash movements exceeding \$10,000.

(2) To avoid the need to handle bulk amounts of cash, drug money launderers frequently deposit currency into bank accounts in the United States and then request the bank to wire funds to an account abroad. Major risks for traffickers include the paper trail that is created with currency transactions of more than \$10,000 and by wire transfers. Launderers can reduce these risks by blending drug-related money with legal funds before depositing the cash in a bank. Thus, by the time the money is transferred abroad, its illegal source has been concealed.

(3) Carrying financial instruments abroad has an advantage over moving currency because of the smaller bulk involved. Some types of financial paper (e.g., bearer bonds and cashiers checks) are not made out to an individual, and, like cash, leave a minimal paper trail.

(4) Drug traffickers can launder their funds through non-financial movements that resemble legitimate transactions. For example, money launderers can buy goods such as autos or appliances in the United States for cash and ship them abroad to be sold for local currency. With help from an accomplice abroad, money launderers can

also use a technique called "over invoicing," i.e., buying goods abroad at much higher than market prices. When traffickers pay for these goods out of their U.S. bank accounts, the drug money has moved home.

Once funds are abroad, they are usually moved several times through secret bank accounts, trusts or shell corporations and can cross several international boundaries. These movements are intended to blur further the distinction between illicit drug money and the billions of legitimate dollars that move through the international financial system every day. Some funds are also used to pay drug suppliers and others who provide services to narcotics operations.

There are no accurate figures on the amount of money generated from drug transactions which is returned and spent in the United States. One avenue for the return of drug proceeds to the United States is through sham loans from foreign to domestic corporations. Drug traffickers move money out of the United States into foreign shell corporations and then arrange for business loans to domestic shell corporations. This allows the drug traffickers to gain access to the drug money in the United States as well as creating bogus tax deductions based on interest paid on the loan. Some drug money launderers have engaged in large-scale real estate development through foreign shell corporations.

The techniques of money laundering are innumerable, diverse, complex, subtle and secret. While billions of drug dollars are laundered annually, the exact amount remains unknown and is a fraction of the world's fast-moving international financial activity, a fact that drug traffickers and launderers rely on to obscure their activities. Only by tracking the origin and destination of each transaction is there a reasonable expectation that its narcotics-derived source can be discovered.

#### EFFECTS OF MONEY LAUNDERING

From different vantage points, there are both positive and negative perceptions of the effects of narcotics money laundering. Proceeds from drug trafficking are used to finance other criminal activities, to undermine legitimate businesses, to threaten governments, to corrupt public institutions and officials, and support insurgencies. Illicit profits drive up real estate costs, and otherwise manipulate regular commerce.

Despite these serious problems, laundering criminally derived money can provide benefits to some otherwise economically unattractive countries. Such monies create an influx of capital which can lead to a stimulation of the country's economy. The increase in capital created by the criminally derived money increases money reserves, lowers interest rates, creates new jobs and, in general, encourages economic activity. Some officials are, therefore, reluctant to take action or provide information on money laundering activities.

#### THE ANTI-MONEY LAUNDERING PROGRAM

##### Diplomatic Activities

U.S. and international anti-narcotics policymakers and enforcement officers are strongly committed to sustaining and improving an effective global strategy that

includes eradication of illicit crops, suppression of manufacturing and refining facilities, seizures of drugs and contraband, monitoring of shipments of precursor chemicals, and arrest and prosecution of traffickers and money launderers. Today, there is a realization that, while traditional narcotics enforcement activities must be expanded and enhanced, new techniques and methods must be developed to apprehend major traffickers and financiers and destabilize their criminal networks. Similarly, more must be done to prevent the profits of illicit narcotics transactions from becoming a dependent part of local and national economies, from undermining legitimate commerce and industry, and from sustaining political insurgents and terrorists.

Beyond seizing shipments of illicit drugs, U.S. officials are therefore seeking greater cooperation from foreign counterparts on seizure and forfeiture of trafficker assets, with a special focus on tracing and seizing the monetary assets derived from narcotics trafficking. Such investigations and seizures have a dual benefit: they reduce the operating capacity of drug networks, and they can lead to prosecution of major traffickers.

U.S. officials actively encourage foreign governments to move against these narcotics revenue flows. Officials at State, Justice, Treasury and in embassies attempt to make officials of countries through which narcodollars pass more aware of the potential damage which their societies and economies could suffer. These discussions provide a framework for proposing the possibilities of drug-specific bilateral agreements, or more general Mutual Legal Assistance Treaties. These governments are encouraged to draft laws to curb these practices, and are provided copies of U.S. and foreign laws which might serve as references. Foreign officials are also assisted by DOJ, Treasury and State attorneys.

Through presentations to various international bodies -- including the United Nations, INTERPOL, and various regional associations -- State, Justice, Treasury and other agencies make every effort to acquaint all nations with the burgeoning money laundering problem. This effort has a broader scope than the nations with whom U.S. officials traditionally cooperate on suppressing drug production and trafficking. A country may have no involvement in drug production or trafficking and yet be an ideal "haven" country for drug money. Indeed, certain countries have become havens for narcodollars because they are not traditional source or transit countries. Increasingly, the governments of source and transit countries are investigating the entire dynamic of drug trafficking, including its effects on domestic business and investment; these governments are also under the greatest pressure from the international community to take across the board action to stop drug trafficking. In such circumstances, the banking practices, indeed any bank deposits, of drug traffickers can be primary enforcement targets.

The United States has negotiated mutual legal assistance treaties with Italy, the Netherlands, Switzerland, Turkey and others, and has treaties under negotiation in other countries.

#### New Treasury Efforts

In addition to pursuing and promoting special bilateral agreements and MLATs,



on which such investigations are based, State and Justice are working with Treasury to implement the requirements of the Anti-Drug Abuse Act concerning an international information exchange system on money laundering. The Anti-Drug Abuse Act directed the Secretary of the Treasury in consultation with the Board of Governors of the Federal Reserve System to initiate discussions with the central banks and other appropriate authorities of other governments on proposals to establish an information exchange system to assist each participating country's efforts to eliminate the international flow of money derived from illicit drug operations and other criminal activities.

### Enforcement Activities

The law enforcement community considers money laundering a vital component of a well-organized drug trafficking operation, and Federal and State agencies have begun to focus resources on attacking the financial aspects of drug organizations. Several enforcement initiatives have been undertaken in the past several years against money launderers and financial institutions. The following examples are illustrative.

Operation Cashweb/Expressway was a three-year undercover operation which penetrated the highest levels of three money laundering organizations of Colombian drug-trafficking syndicates operating in South America and the United States. During this investigation, FBI undercover agents laundered millions of dollars in order to reveal conspiratorial networks. Agents identified over \$300 million in Colombian drug proceeds. Thus far, this case has achieved the following results: Federal, state and local indictments of 114 conspirators for drug and/or money laundering violations; the seizure of 2,100 pounds of cocaine, 22,000 pounds of marijuana and \$22.5 million in cash. Additionally, \$11 million has been identified in bank accounts of two major subjects and forfeiture proceedings have been initiated against these accounts.

From 1982 to 1987, the FBI directed an international investigation focused on heroin importation and distribution and money laundering by Sicilian Mafia figures in association with the La Cosa Nostra in the United States. This historic investigation was commonly referred to by the media as the "Pizza Connection" case because the Mafia used pizza parlors throughout New York and five other states to facilitate the distribution of an estimated \$1.65 billion worth of heroin smuggled into this country from Sicily. The FBI, with support from DEA, the U.S. Customs Service and foreign governments, as well as numerous state and local law enforcement agencies, revealed a scheme in which morphine base was transported from Turkey for conversion to heroin in clandestine laboratories in Sicily. This investigation resulted in the indictment of 38 high-level traffickers in the U.S. and an additional 175 Mafia members and associates in Italy for drug trafficking and money laundering violations. Trial testimony and evidence gathered during the investigation revealed that this drug group had laundered approximately \$60 million in heroin-trafficking proceeds through legitimate businesses in the United States and abroad. In 1987, 18 defendants, including Gaetano Badalamenti, the former Sicilian Mafia "Boss of All Bosses," were sentenced in Federal Court in New York to jail terms up to 45 years.

In May 1987, the Drug Enforcement Administration (DEA) culminated a three-year undercover money laundering investigation, code-named Operation Pisces. The operation afforded DEA the opportunity to penetrate the networks of several

top-echelon Colombian cocaine traffickers, at a higher level than would have been realized from routine investigative practices. Pisces, termed the most successful operation of its kind, resulted in the seizure of 21,062 pounds of cocaine, assets in excess of \$75 million, and arrests of 413 defendants.

Over a four-year period, Eduardo Orozco and associates deposited approximately \$151 million in cash in banks and currency exchange establishments which was transferred to other accounts in the United States, Panama, the Bahamas, and the Cayman Islands. Orozco was laundering drug proceeds for Colombian cocaine dealers and Sicilian heroin traffickers. Orozco was found guilty of conspiracy to violate drug laws and was sentenced to eight years in prison and fined \$1 million.

Issac Kattan is believed to be one of the principals responsible for shifting cocaine money laundering from New York City to Miami in the 1970's. Kattan may have been responsible for laundering \$5 million weekly for Colombian traffickers. Kattan utilized banks and money exchange houses. Kattan was arrested February 27, 1981 in possession of cocaine. He was sentenced to 30 years prison and fined \$30,000 in August 1981 for conspiracy and possession of cocaine.

Ramon Milian-Rodriguez was a certified public accountant when he was arrested at the Ft. Lauderdale airport in 1983 in possession of \$5.4 million cash bound for Panama. Milian was laundering money for Colombian cocaine dealers. The \$5.4 million was confiscated, Milian was fined \$6.5 million and sentenced to 35 years in prison.

Operation Cashcrop focused on a poly-drug organization operating in Texas and Mexico. Approximately 50 defendants were indicted, and \$37 million in assets were seized, including two certificates of deposit totalling \$6.1 million. Organizers established two phony corporations in Houston, Texas which were used to set up bank accounts at the Republic National Bank. The money was transferred from Texas to the Cayman Islands and back to the Republic National Bank in Texas. The major defendants, indicted on CCE/RICO charges, remain fugitives.

For years, financial institutions have been utilized to launder illicit drug profits. To curtail this activity, Congress enacted the 1970 Bank Secrecy Act which requires financial institutions to report currency transactions in excess of \$10,000. However, banks and bankers alike have fallen victim (willing and unwilling) to the huge profits which result from laundering activities. A federal grand jury indicted the Great American Bank of Dade County, Florida and three employees. The indictments, returned as a series from December 1982 through April 1984, charged that the bank laundered more than \$94 million from January 1980 through February 1981, and willfully failed to file 406 currency transaction reports during that period. On April 16, 1984, the bank pled guilty to four counts of failure to file CTR's and was fined \$500,000.

The publicity in February 1985 regarding the conviction of the Bank of Boston in a money laundering scheme has quadrupled the reporting of currency transactions. From 1985 to the present, nearly three dozen institutions have been penalized. The Treasury Department levied heavy fines in 1985 and 1986 on several financial institutions for violations of Bank Secrecy Act reporting requirements. Treasury

investigators discovered that Crocker National Bank failed to report \$3.4 billion of domestic and international cash deposits and withdrawals. In September, Treasury assessed a fine of \$2.25 million on the bank. In January 1986, Bank of America was fined \$4.75 million for failure to report more than 17,000 cash transactions.

Until the enactment of the Money Laundering Control Act of 1986, money laundering was not considered a felony in and of itself. However, several major initiatives against individuals and institutions were concluded with positive results. It is felt that with the new legislation and experience gained in financial investigations, positive results will only increase.

### Challenges and Problems

Research and intelligence gathering relating to the operation of money launderers, their methods and schemes is still in its infancy. Although it has been recognized for some years that a collateral attack on the proceeds of drug trafficking is a very effective way to immobilize trafficking organizations, much remains to be done. Tracing, tracking, seizure and forfeiture of violator assets have been increasingly successful in the United States in recent years. Undercover probes of money laundering activities and the overt collection of financial intelligence have provided important insights into the shadowy world of the money launderer.

Initial successes notwithstanding, these efforts have been frustrated in several ways. Drug traffickers are as circumspect in their financial dealings as they are in their drug negotiations. The traffickers' appreciation for the need to conceal their enormous profits is increasing. This awareness, coupled with constant and complex changes in money laundering practices, has resulted in an ever-expanding and dynamic laundering system. Finally, and perhaps most importantly, many if not most money laundering schemes at some point involve the clandestine movement of assets to or through other countries. The climate for cooperation can vary sharply from country to country, even within the same region.

Given the political sensitivities and realities associated with narcotics production and trafficking in different nations, the reception given to U.S. requests for cooperation has been mixed. There is unquestionably an increasing awareness among nations that the laundering of drug proceeds must be urgently addressed. Most heads of state and diplomatic officials want to avoid having their countries become the drug money capitals of the world. Many senior foreign officials recognize that the seizure and forfeiture of drug proceeds is an effective way to frustrate traffickers and disrupt their operations. Officials have also recognized that forfeiture of large amounts of criminally derived assets can be an appreciable source of revenues.

As a result, some governments have enacted strict domestic legislation prohibiting certain types of financial activity and have mandated actions which breach traditional bank secrecy when drug money is involved. Other countries have taken further steps, either formally or informally arranging to make bank information available to U.S. authorities and, in some cases, have passed legislation which permits the seizure and forfeiture of assets based upon evidence collected almost entirely in the United States.

But, while many of these nations are willing to take energetic steps to combat an influx of drug money, a number of governments are reluctant to interfere with their status as offshore tax havens. Many governments face objections from strong bank lobbies, whose constituents stand to lose substantial deposits, commissions and fees if their governments outlaw trafficking in drug proceeds. These legal barriers and prohibitions are just one challenge. Corruption is a problem that affects all anti-narcotics initiatives, including investigations into money laundering. Moreover, some banks are apparently controlled by or at least heavily influenced by narcotics trafficking interests. There are numerous ways a government can frustrate U.S. initiatives while appearing to be cooperative; e.g., resistance can be masked by meaningless legislative initiatives, unprogressive dialogue with the United States on cooperation, or informal cooperation on a few cases to protect broader narcodollar laundering interests.

In sum, while some governments have been sincere in trying to deal with these issues, an important number have not yet taken meaningful action to prevent narcotics money laundering.

## MONEY LAUNDERING COUNTRY REPORTS

AFGHANISTAN: There are no reports of money-laundering.

ARGENTINA: Because of the existence of a large, technically illegal market for foreign exchange, which operates mainly with U.S. currency, the potential for money laundering in Argentina is high. However, neither DEA nor Argentine enforcement authorities have detected specific money laundering cases. Argentine Central Bank authorities have responsibility for the exchange houses dealing in foreign currency and have agreed to be fully cooperative with narcotics enforcement activities. The draft drug law passed in late 1986 by the Senate provides 2-8 year prison terms and fines for individuals convicted of investing, transferring, etc. money derived from drug trafficking. The version still pending in the Chamber of Deputies contains a virtually identical provision. The Administration intends to press during the first half of 1988 for final Congressional approval of new narcotics legislation containing provisions related to asset seizure, precursor chemicals and money laundering.

AUSTRALIA: There are no indications of major money laundering activity.

BAHAMAS: The extent to which The Bahamas is a money-laundering country is difficult to measure. The tightening of Central Bank regulations and banking and trust company operating procedures/policies have discouraged if not eliminated the easy deposit of "suitcases" of money. Bank secrecy laws make it difficult to trace the transfer of large cash deposits from third countries to banks in The Bahamas. However, The Bahamas has passed a new law on the seizure and forfeiture of drug proceeds and the reciprocal enforcement of forfeiture decrees. The United States and The Bahamas have signed a Mutual Legal Assistance Treaty which should provide improved access to financial information and could assist in forfeiture of drug proceeds, but neither country has ratified the treaty, and The Bahamas has not yet enacted the needed implementing legislation. Prospects are dim for a Tax Information Exchange Agreement (TIEA). The Bahamas does not have a personal income tax and there is little incentive for the GCOB to enter into such an agreement.

There is no control over the laundering of money through the purchase of goods and services in the local economy. There is ample evidence of the lucrative and illicit profits derived from narcotics in the local economy. The Embassy estimates that at least ten percent of the economy is drug-related, reflecting payment for criminal actions as well as trafficker purchases of consumer goods and "clean" real estate investments.

BOLIVIA: Although some Bolivians are significantly involved in international trafficking, Bolivia is not regarded as a money laundering center. The problem of cultivation is paramount.

BULGARIA: We have no evidence that money laundering is carried out in Bulgaria. Access to Western hard currency is difficult, and the Bulgarian lev is not easily convertible. A 1986 law permits the GOB to confiscate all vehicles used in smuggling narcotics (whether or not they belong to the smuggler), except in cases where the vehicle's value "exceeds the gravity of the crime." GOB enforcement officials have advised that Bulgarian law also provides for seizure of narcotics-related assets such as

bank accounts, but we have not seen any law which provides for this (and the GOB has not responded to our requests for the legal citation).

BURMA: Burma is not a money laundering country.

CAYMAN ISLANDS: The Cayman Islands is a significant offshore financial center with some 500 banks whose officials cooperate with the U.S. on narcotics money laundering investigations. Driven by a rapidly expanding North American narcotics market, drug money laundering increased dramatically in the Caymans during the early 1980s, but a series of agreements with British and Caymanian authorities has given U.S. agencies greater access to Island banking records and slowed the growth of illegal money schemes. A U.S. agreement with the United Kingdom in 1984 eased Caymanian bank secrecy where U.S. authorities could show evidence of drug trafficking. On July 3, 1986, the U.S. and UK signed a Mutual Legal Assistance Treaty on criminal matters with respect to the Cayman Islands,

which gives even greater access to banking records. While this treaty has not yet come into force, the British and Caymanian governments continue to cooperate. There is some evidence that those Caymanian bankers who would continue to carry on the more blatant forms of money laundering, especially cash deposits, are at increased risk, but the handling of partially laundered funds through dummy corporations, trusts and other legal and banking devices appears to continue unabated.

CHINA: There have been no reports of narcotics-related money laundering activities in China.

COLOMBIA: Drug money laundering probably increased in Colombia last year. The Colombian Comptroller General noted that of the \$1 billion exchanged at the central bank's alternative foreign exchange window, \$200-400 million probably came from drug sources. Some of the money has apparently been re-invested in Colombia, seemingly motivated both by the opportunity for further financial gain and by an interest in gaining legitimacy with the populace.

The Colombian government is concerned about the growing influence of the financially powerful traffickers, but the government has limited enforcement tools to combat it, despite current and proposed laws that could attack trafficker and launderer wealth. While the 1986 Anti-Drug Abuse Act has provisions for the seizure and forfeiture of drug-related financial and other assets, these provisions have not been tested in court nor does the government have the resources to investigate and act against these assets. The Council of Ministers has also suggested anti-laundering legislation to prevent the entry of cash of uncertain origin into the banking system. A Colombian legislator has responded by proposing legislation -- aimed at traffickers and launderers -- that would make "illegal enrichment" a punishable offense potentially resulting in imprisonment and fines. We are not optimistic, however, that the government will be in a position to pursue these lines of prosecution in the foreseeable future.

CUBA: Virtually no confirmed information about possible Cuban money laundering is available. The continued presence of fugitive financier Robert Vesco, however, suggests that expertise is at hand should the Cubans desire it.

CYPRUS: There is no evidence that the Cypriot banking system is being used for the laundering of money obtained from illegal narcotics trafficking. However, there is evidence that Cyprus is used by narcotics traffickers, particularly those plying the Lebanon trade, for brokering narcotics deals and making cash payments. Thus, there is a narcotics cash flow through Cyprus. While the small offshore banking sector in Cyprus could conceivably be used by some traffickers for money laundering, the government has adequate access to banking records to investigate questionable transactions. Major traffickers do not reside in Cyprus, but merely use the island as a convenient meeting place to broker deals and pass cash payments. Consequently, their major assets are not located in Cyprus. There are indications, however, that some resort hotels may have been financed by drug revenues. Under present law, proceeds from assets seized by Cypriot law enforcement authorities are deposited in the Government's treasury.

ECUADOR: Because of banking secrecy laws, Ecuador has the potential to become a significant money laundering country. GOE banking officials and law enforcement officials believe that Ecuadorian banking secrecy laws provide a potential for significant money laundering activities. Evidence in 1987 of such activities was limited. No new legislation to deal with this problem has been proposed.

EGYPT: Egypt is not known as a significant money laundering country, although Egyptian traffickers do transfer their illicit funds through international banking systems to some extent. Controls on the foreign exchange market, such as a prohibition against cash transactions, tend to deter money laundering. Free market exchanges are limited to check-to-check transfers. Cash deposits of foreign currency, unless used to settle legal import bills, must remain in the bank for one year before being transferred to a foreign currency account.

FEDERATED MICRONESIAN STATES: There are no major traffickers or cultivators, or formal distribution networks, and no money laundering.

GREECE: Greece maintains strict currency exchange controls for its nationals. In an effort to bolster its foreign currency holdings, however, Greece has created external (foreign currency) accounts at its central bank. These accounts offer attractive interest rates and allow withdrawals in foreign currencies. It is not believed that significant money laundering operations are conducted by Greek banks.

GUATEMALA: Guatemala does not appear to be an important money laundering country and the economic impact of drug trafficking is not perceptible.

HAITI: There is little information on the extent to which drug smugglers use Haiti to launder money. There are many money changers, particularly in Port-au-Prince, who operate openly in a parallel "gray market" fashion. Money laundering in the Haitian context does not follow the classic bank exchange pattern. Indications are that narcotics dealers are selling large amounts of U.S. dollars, cash for cash, on the Haitian market.

HONDURAS: There are no indications that Honduras is used for laundering of narcotics profits.

HONG KONG: Hong Kong, because of its status as a major financial center with banking secrecy laws and no currency controls, has been described in INM testimony and by the President's Commission on Organized Crime as "the major financial center for Southeast Asia's drug trafficking." There are indications that large numbers of heroin trafficking ventures throughout the world are financed and controlled from Hong Kong. The underground banking system operating in Hong Kong exists outside the commercial banking industry and is estimated to be responsible for the transfer of a substantial share of the heroin money.

This system was described by the President's Commission as follows: "Responsible for moving most heroin money in Southeast Asia, it operates through gold shops, trading companies and money changers, many of which are operated in various countries by the same Chinese family. Recordkeeping susceptible to standard audit rarely exists in this underground banking system, and coded messages, chits, and simple telephone calls are used. The system has the ability to transfer funds from one country to another in a matter of hours, provide complete anonymity and total security for the customer, convert gold or other items into currency, and convert one currency into that of the customer's choice."

There is cooperation with U.S. authorities on efforts to penetrate this system. The U.S. has successfully obtained bank records from Hong Kong via letters rogatory for use in U.S. narcotics money laundering cases. Three years ago, Hong Kong amended its internal law on judicial assistance to allow execution of such requests at the grand jury stage.

The Hong Kong Attorney General set up a working group to discuss mutual assistance, and has expressed interest in negotiating an MLAT.

In 1987-88, there has been substantial cooperation between DEA and FBI in the U.S. and the RHKP and Independent Commission Against Corruption (ICAC) in Hong Kong on several narcotics cases, resulting in several arrests and a number of international extraditions to and from Hong Kong.

As yet, Hong Kong lacks any seizure-of-assets legislation. The Governor has announced that the government intends to introduce during the current session draft legislation empowering the courts to confiscate proceeds derived from trafficking. As a result of a briefing given by DEA-Hong Kong earlier this year to local heads of law enforcement and staff on international money laundering activities in Hong Kong, the Attorney General has now set up a working group to study the matter of mutual legal assistance between Hong Kong and the United States.

INDIA: There is no information available at this time suggesting significant money laundering activity in India.

INDONESIA: There is no evidence indicating that Indonesia is a significant money laundering country, but its open currency exchange regime makes this a possibility. The 1976 narcotics law allows for seizure and forfeiture of narcotics-related assets and could also be used in money laundering cases. The disposition of seized narcotics is determined jointly by the Ministry of Health and the Attorney General; the proceeds



from the seizure of other assets go to the Ministry of Finance. Assets may be seized without a warrant if the case is urgent; however, a warrant must subsequently be obtained. The assets seizure provisions of the 1976 law do not appear to be vigorously used, perhaps because of the rigorous burden of proof needed in trial. It has on occasion been used to seize cars, motorcycles, and aircraft. There are no figures on the dollar amount of assets seized in 1987. Indonesia is interested in the ASEAN effort to develop a working draft of an assets seizure and conspiracy law for possible adoption as national law by the various member countries. Indonesia's bank secrecy law complicates police efforts to investigate narcotics crimes.

JAMAICA: The government of Jamaica does not have an effective mechanism by which it can seize drug trafficker assets. This problem, however, has been recognized, and drug asset/forfeiture legislation is now being prepared for parliamentary approval. In addition, agreement is close between the United States and Jamaica on a mutual legal assistance treaty that, among other advantages, would harmonize bilateral efforts regarding asset tracing and seizure. However, it is believed that most of the funds generated by Jamaican drug sales are more likely to be invested in offshore banking safe havens or laundered through other enterprises and legitimate investments outside of Jamaica.

KENYA: The GOK is just beginning to consider ways of strengthening its legal framework to prosecute narcotics trafficking, including the legislating of new seizure and forfeiture laws. We anticipate few disincentives or political obstacles to passing such legislation. To date GOK enforcement authorities have made no effort to trace or seize assets. The GOK has not yet been asked by the U.S. to trace or seize assets extraterritorially.

LAOS: There are no reports of narcotics-related money laundering.

LEBANON: The indication is that Lebanese traffickers have transferred their money transactions and narcotics brokering to Cyprus, but are laundering their money elsewhere. We cannot discount the possibility, however, that some drug sale proceeds are returned to Lebanon through its secretive banking system.

MEXICO: No figures are available on the extent of money laundering in Mexico. Mexican banks, all but two of which are nationalized, do not provide information to the U.S. on their activities. Mexico and the United States have signed an MLAT and it has been ratified by Mexico.

The U.S. Customs Services, noting that Mexico has not been forthcoming with information on money laundering activities, reports that, even though there is an existing Customs Mutual Assistance Agreement with Mexico, there has not been any official exchange of financial information since 1982. Before 1982, there was a favorable interpretation of Mexican banking laws. However, a Mexican bank secrecy act has curtailed official exchanges of information. Customs says that the lack of Mexican enforcement efforts and cooperation has greatly hindered efforts to arrest and prosecute those involved in money laundering. Moreover, Customs officials believe that the general and endemic problem of corruption in many branches of Mexican law enforcement makes the successful interdiction of drugs by Mexico almost impossible, thereby dramatically increasing the amount of resources the U.S. is

required to commit to the problem.

The bank secrecy act notwithstanding, banking in Mexico is not viewed as attractive for large scale money laundering due to the difference in the peso and the dollar and extreme fluctuations in the exchange rate. However, there is reason to believe the potential exists for extensive money laundering of narcotics profits through investment in legitimate businesses and because of extensive trade and financial ties between the U.S. and Mexico. Major drug traffickers own extensive real estate, and invest in tourist and other licit industries to launder money. South American traffickers are expected to make greater use of Mexican financial institutions to launder profits from drug shipments which enter the U.S. through Mexico.

The Mexican Government is aware of the money-laundering problem. Mexican law enforcement officials recently arrested a number of Mexican customs officials, bankers and the head of a money laundering operation in Calexico, Baja California. However, in general terms, Mexico does not have the investigative and prosecutorial resources to develop its own cases against money launderers. A high-level official recently called for stricter penalties against launderers of drug money but there were no significant changes in Mexican bank secrecy laws or criminal codes in 1987 that might affect money laundering.

MOROCCO: The U.S. and Morocco have signed an MLAT which should provide improved access to financial information and could assist in forfeiture of drug proceeds, but Morocco has not ratified the treaty. According to local officials, Moroccan law provides for the seizure and forfeiture of assets of narcotics traffickers. While allowing the seizure of real property, personal property, and intangible property such as bank accounts, in practice only vehicles used for trafficking are seized, proceeds going to the National Treasury. In 1986, for example, the National Police seized 138 vehicles. The Moroccan Government has not worked with other countries, including the U.S., to trace or seize assets extraterritorially.

NEPAL: Nepal seeks to maintain tight controls on hard currency movements in and out of the country. Thus, the most likely mechanism for reflow of drug-smuggling proceeds is through the traditional smuggling of gold from Hong Kong and Bangkok, through Nepal, to India. Dramatic increases in reported seizures of gold in recent years at Tribhuvan airport and the Tibetan border are likely related to heroin smuggling out of Nepal, although GON authorities tend to resist this explanation, arguing that proceeds from heroin smuggling through Nepal are kept in financial centers like Hong Kong and Singapore. Payments for heroin deliveries in the U.S. and Europe have been traced to Hong Kong; the trail from there on is not well documented. There is no reliable information pertaining to narcotics-related money laundering in Nepal, but, to the extent information warranted, we would expect cooperation from the GON in dealing with it.

NEW ZEALAND: There is no known money laundering activity in New Zealand.

NICARAGUA: No information is available on possible money laundering activities. The extremely poor condition of the Nicaraguan economy and the innumerable controls on banking suggest that few, if any, traffickers would want funds to be laundered there.

NIGERIA: As yet, money laundering is not an issue in Nigeria. Exchange controls and continuing uncertainties about the operation of foreign exchange markets have not made the Nigerian banking system attractive to money launderers. There is some concern that continuing liberalization of the economy may change this situation. The U.S. and Nigerian Justice Departments have signed an executive agreement on cooperation in criminal investigations, and the two countries have pledged to negotiate an MLAT.

PAKISTAN: Pakistan is not considered a money laundering country to date. It is believed that the major portion of the monies made trafficking in narcotics internationally remain outside the country until a need for funds develops. We are fairly certain that large transfers of funds do not take place through the legal banking system of Pakistan. The large and unregulated "hundi system" does accommodate many financial transfers.

PANAMA: As evidenced by the indictments returned against General Noriega, narcotics-related corruption in Panama is extensive, and features money-laundering. Panama is one of the world's largest offshore banking centers, and serves as the financial capital of Latin America. As a result of its geographic location, its tight banking and commercial secrecy laws, the prevalence of English as a second language, and the use of the U.S. dollar as local tender, Panamanian banks are being used to launder money for drug traffickers on a large-scale basis. The Government of Panama (GOP) enacted a new drug law in December 1986 which, for the first time, permits the government to seize anything of value used in the commission of a drug-related crime, including bank accounts. An important provision of the law allows for the seizure and penetration of secret accounts based on information from a foreign country, but virtually precludes Panamanian examination of bank accounts in the absence of specific, documented allegations from abroad.

Several operations and cases last year tested the Panamanian government's commitment to attack drug money laundering through its new law but reviews of its performance are mixed. It was a turbulent year for both the political system and for drug money laundering in Panama. The domestic unrest that began in June negatively affected the banking industry's liquidity and may have caused delays in GOP cooperation with the U.S. to combat money laundering in Panama. Consequently, while two fundamental features of a money laundering center -- secrecy and fiscal stability -- were undercut and apparently some drug money operations were deterred in 1987, large-scale narcodollar laundering has continued.

The Department of National Investigations (DENI) cooperated in the investigative portion of Operation Pisces, a three-year DEA investigation into money-laundering in New York, Miami, Los Angeles and Panama, ultimately freezing some \$14 million in over 200 bank accounts in 18 banks. The authentication of the seized documents needed for admission in U.S. court proceedings has been slow, but the Panamanian Attorney General continues to work with DEA and the Department of Justice to certify the documents. A Panamanian targeted in the Pisces operation is in custody, awaiting prosecution on money laundering charges pursuant to a complete prosecutorial package from the U.S. More than twelve million dollars remain frozen. Two million dollars comingled with non-drug money were released in October.

Panamanian authorities have assisted DEA in other cases involving money laundering. Final arrangements are being made to effect the freezing of an account maintained by a DEA fugitive from Boston. The authorities are also in the final stages of freezing an account belonging to a cocaine trafficker arrested in Puerto Rico in 1987.

Operation Cashweb/Expressway, a major three-year FBI undercover investigation of narcodollar laundering, penetrated the highest levels of three money laundering organizations of Colombian drug-trafficking syndicates. In June 1987, the FBI, with the assistance of U.S. Department of Justice attorneys and Panamanian judicial officials, executed search warrants in an attempt to freeze and seize financial assets of money laundering organizations that were contained in numerous accounts in Panama. FBI Agents, together with the Minister of Justice of Panama, initiated proceedings to freeze 29 confidential accounts in nine banking institutions in Panama. During this initial process, full cooperation and assistance were forthcoming from the GOP. These accounts were to be frozen with the full understanding that Panama would further assist in identifying and freezing secondary and tertiary accounts and provide all documentation concerning their investigation.

Seven months later, the FBI has received only minimal documentation regarding the initial 29 accounts. No written notification of monies frozen by the GOP has been received. Repeated requests for completion of previously agreed investigations have failed to produce desired results. The Government of Panama's lack of aggressiveness in pursuing these additional accounts has significantly hindered the overall money laundering investigations and could adversely affect the admissibility of documents for prosecution. The lack of a bilateral law enforcement assistance agreement between the U.S. and Panama has been a factor in preventing the most expeditious handling of certain law enforcement matters. U.S./Panamanian agreement in principle to such an accord was reached in May, 1987, but negotiations on terms of an agreement did not take place due to the sharp deterioration in bilateral relations which began in June.

Meanwhile Panama's strict corporate and bank secrecy laws protect the identities of business and bank account owners. Even U.S. branches of banks in Panama have failed to provide records requested by the U.S. Internal Revenue Service in cases directly related to drug trafficking. In order to use provisions of Panama's 1986 law, charges must be specific narcotics charges and not narcotics-related tax charges.

During 1987, reports alleging the involvement of General Noriega in drug money laundering continued to surface. In early February 1988, Federal grand juries in Miami and Tampa returned indictments charging Noriega and others with various drug money laundering and related offenses. Drug-related money laundering remains a significant industry in Panama. It is not possible to predict how the 1986 drug law will be implemented in the future or the extent to which officials will probe into money laundering activity. GOP performance in this area will require careful and continuous case-by-case review.

PARAGUAY: Paraguay appears to have become a significant money laundering location for narcotics traffickers. On the most elementary level, every year millions

of dollars change hands in Paraguay when cash (which may well derive from narcotics sales) is exchanged for vehicles stolen in Brazil and Argentina. On an intermediate level, there are reports that foreign narcotics money is being used to purchase land and property in Paraguay. On a more sophisticated level, foreign currencies are freely convertible and the government exercises little control over the large number of foreign exchange houses. The government also exercises little control over nearly 20 different banking organizations, most of which are involved in freewheeling domestic and foreign exchange operations. This lax control may encourage the growing use of Paraguay to launder narcotics money.

PERU: Peru is not considered a significant money laundering center. The Civil Guard and the Investigative Police enforce asset forfeiture and seizure statutes.

PHILIPPINES: There is no known laundering of money through the Philippine banking system due to government controls. According to DEA, however, there is strong indication that an underground banking system and the Philippine casino system are being used by ethnic Chinese involved in trafficking to launder narcotics related funds.

SENEGAL: Neither the GOS nor the U.S. has any evidence to indicate that narcotics traffickers are using Senegal or its banking institutions to launder money.

SINGAPORE: Singapore is a major Asian banking center, and strict bank secrecy laws continue to make it difficult to assess the degree to which narcotics money may be laundered. No legislation is being proposed. However, the U.S. has proposed negotiation of an MLAT. Singapore officials have expressed interest in the UK's newly adopted seizure laws whereby criminal conviction must precede attachment of civil forfeitures. Police have seized minor assets e.g. automobiles, pickup trucks, small amounts of money obtained at time of an arrest. There is no investigative activity generated around accumulation of assets (realty, businesses, bank accounts, negotiable instruments) as that accumulation pertains to using illicit narcotics funds to purchase those assets. By law, financial investigations are conducted by the commercial crimes division, not narcotics authorities. For an effective asset seizure system, GOS investigative elements would require in-depth financial investigative training. No figures are released on assets seized. The GOS is receptive to all intelligence concerning assets, money laundering, etc. However, we know of no current bilateral or multilateral negotiations with other governments to harmonize efforts regarding asset tracing and seizures.

SYRIA: There is no information on money laundering.

THAILAND: Thailand is more of a transit point than a true money laundering center, and Thai officials do not consider money laundering a major problem. Nevertheless, substantial financial transactions do occur as drugs are moved from producers to traffickers. Virtually all of the money is then moved to Hong Kong, Kuala Lumpur or Singapore for additional laundering. Large amounts of narcotics funds are sent out of Thailand primarily by Chinese remittance syndicates that bypass financial institutions. However, the lack of controls on the movement of money within the Thai banking system facilitates traffickers' use of these facilities to launder their narcotics profits, and narcodollars also are transferred out of the country through the legitimate banking system to Hong Kong, the United States, and other countries. The

Thai government does little to stop this money flow, but would be cooperative in response to specific U.S. requests for information or action. The U.S. and Thailand have signed a Mutual Legal Assistance Treaty which should provide improved access to financial information and could assist in forfeiture of drug proceeds, but Thailand has not ratified the treaty.

TURKEY: Money laundering has not so far been a problem.

#### MONEY LAUNDERING IN DEVELOPED COUNTRIES

Drug money continues to be laundered in Western Europe's financial centers and nearby offshore facilities, despite the increasing efforts of most governments to curb this activity. Most of the narcodollars laundered in the region come from traffickers in the Middle East and Western Europe, but the growth of the cocaine trade in Western Europe suggests that more Colombian narcodollars are being laundered there as well. Moreover, the sophistication, secrecy and stability of the banking community in Western Europe could become more attractive to Latin American traffickers to counter U.S. narcotics control efforts in the Caribbean and elsewhere.

The governments of Western Europe, especially Switzerland, have stepped up the pace of their efforts to suppress drug money laundering, but successes to date have been limited. The Swiss government froze more financial assets thought to be linked to narcotics than ever before, but the sums were small. The Swiss have also initiated regulatory efforts to more clearly establish the bonafides of bank account holders and legislation has been prepared that would make narcotics-related money laundering a crime. On February 9, 1988, the United Kingdom signed an executive agreement with the U.S. pledging broader access to records of financial transactions in the UK, and promised to begin negotiation of an MLAT in nine months. British banks have more closely scrutinized their accounts for evidence of money laundering.

European drug money launderers use increasingly sophisticated techniques to evade government investigative efforts. Central to this effort is the use of offshore branches and subsidiaries of European banks, away from the reach of domestic authorities. Drug money transactions can be handled in nearby offshore banking centers, such as the Channel Islands, Isle of Man, Gibraltar, Lichenstein, Andorra and others, or in the money havens of the Caribbean or Asia. Once deposited in a sterile account, funds can be moved across several national boundaries and through a series of trusts or front companies before becoming available to clients as licit funds. The combination of historic banking and legal expertise in maintaining client confidentiality and the flexibility and speed of new financial communications systems has made it possible for these arrangements to be formulated and put in place much more quickly than governments can change regulations or upgrade enforcement efforts to prevent the laundering activity.

## VIII. INTERNATIONAL TRAINING

More than 1,600 persons from over 80 countries participated in the U.S. Government's International Narcotics Training program in FY 1987. Funded by INM, and carried out primarily by DEA and the U.S. Customs Service, this program has two major objectives: first, to improve the technical and investigative skills of law enforcement and customs personnel, thereby upgrading drug law enforcement capabilities in key narcotics trafficking and transit countries; second, to promote increased cooperation and coordination between U.S. and foreign law enforcement officials.

During FY 1987 special courses were given on financial investigation and intelligence techniques peculiar to the individual countries. For example, a number of special seminars were organized for prosecutors and judicial officials in Latin America. Training in the host countries has concentrated on improving the technical skills of law enforcement and customs personnel with a solid background in narcotics interdiction and law enforcement.

Although basic enforcement techniques have traditionally been the focus of narcotics control training, in recent years the emphasis has shifted to courses dealing with special investigative requirements unique to various countries. During FY 1987, special courses were given on financial investigations, intelligence techniques, customs port facilities, maritime interdiction, narcotic detector dog handling and forensic chemistry. A number of seminars and programs were organized for port facilities in Central America; additional programs were especially developed for the air cargo facilities in Jamaica and Ecuador. Virtually all of the Caribbean countries, and adjacent countries in South and Central America received Coast Guard maritime interdiction training.

Training in the major INM program countries has concentrated upon improving the technical skills of law enforcement and customs personnel with a solid background in narcotics interdiction and law enforcement. During FY 1987, increased emphasis was placed upon training in Africa, the Indian Ocean and the South Pacific. In future years, INM intends to increase the emphasis upon basic training in those countries not traditionally covered by international narcotics programs.

In principle, operational level officers attend training courses in host countries, while senior, managerial level officers attend training courses in the United States. Whenever possible, officers who previously received training as instructors share the training responsibility in host countries. These joint efforts enhance the drug investigation capabilities of foreign law enforcement officers, while improving multilateral intelligence and information exchange.

The Executive Observation and International Visitor Programs are other important components of the International Narcotics Control Training Program. These programs give policy-level officials from key narcotics-trafficking and transit countries the opportunity to consult with their U.S. counterparts and provide a first-hand exposure to U.S. narcotics control programs and institutions. Such programs also promote increased mutual understanding of the problems associated with efforts to control narcotics trafficking, production and abuse. While INM funds

the Executive Observation and International Visitors Programs, they are generally administered by the U.S. Customs Service, the Drug Enforcement Administration, the United States Information Agency and the National Institute on Drug Abuse.

### TRAINING STATISTICS

	<u>Number of Participants</u>	<u>Number of Programs</u>
<u>Drug Enforcement Administration</u>		
<u>Training in U.S.:</u>		
Executive Observation Programs	38	14
Advanced International Academy	87	3
<u>Caribbean Regional Schools</u>	<u>35</u>	<u>1</u>
Subtotal	160	18
<u>Training in Host Countries</u>		
Drug Enforcement Schools	330	11
Collection and Analysis Methods	70	2
Forensic Chemist Seminar	25	1
Criminal Information Research	30	1
Financial Investigative Methods	30	1
Methods of Instruction	30	1
<u>Judicial/Prosecutors' Seminar</u>	<u>100</u>	<u>5</u>
Subtotal	720	25
<u>INM-Sponsored Programs:</u>		
International Visitors Programs	12	5
<u>U.S./U.K. Narcotic Dog Training</u>	<u>36</u>	<u>7</u>
Subtotal	48	12
<u>U.S. Customs Service Courses, Seminars and Programs:</u>		
Mid-management Seminar	30	1
Overseas Enforcement Training	240	8
Contraband Enforcement Team	60	2
Short Term Advisory Project	90	3
Train-the-Trainer Workshop	14	1
<u>Executive Observation Programs</u>	<u>12</u>	<u>3</u>
Subtotal	446	18
<u>U.S. Coast Guard Training</u>	360	12
<u>TOTAL INM TRAINING FY1987</u>	1,623	80