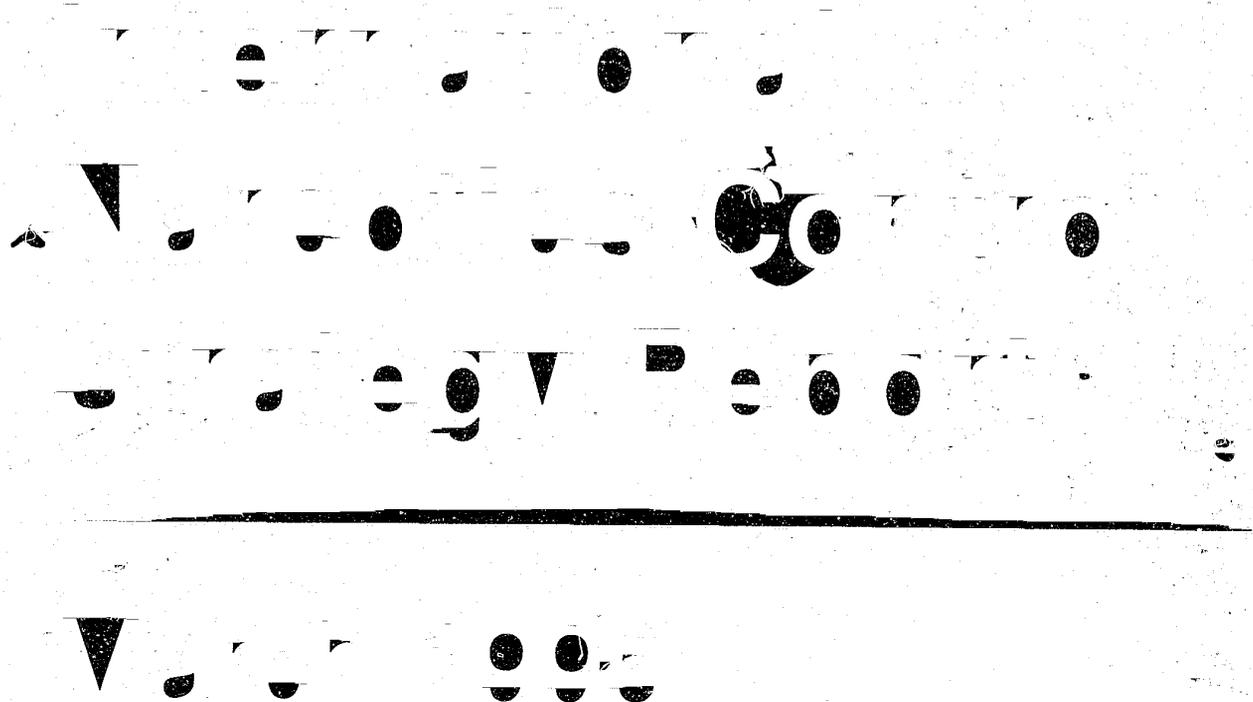


U.S. Department of Justice  
Bureau of International Narcotics  
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## COMMON ABBREVIATIONS

CBRN	Caribbean Basin Radar Network
CICAD	Inter-American Drug Abuse Control Commission
DEA	Drug Enforcement Administration
ESF	Economic Support Fund
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
INCSR	International Narcotics Control Strategy Report
INM	See INL
INL	Bureau for International Narcotics Control and Law Enforcement Affairs
JICC	Joint Information Coordination Center
MLAT	Mutual Legal Assistance Treaty
NBRF	Northern Border Response Force
NNICC	National Narcotics Intelligence Consumers Committee
OAS	Organization of American States
OPBAT	Operation Bahamas, Turks and Caicos
UN Convention	1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNDCP	United Nations International Drug Control Program
USAID	Agency for International Development
USG	United States Government
ha	Hectare
HCl	Hydrochloride (cocaine)
kg	Kilogram
mt	Metric Ton

**EXECUTIVE SUMMARY**

## Executive Summary

### Policy and Program Overview for 1994

Global antidrug efforts in 1994 present a definitely mixed record. There were some undeniable accomplishments. More governments than ever before expressed their willingness to combat the international drug trade. Domestic legislation was introduced restricting the spread of precursor chemicals or the use of the nation's financial institutions to launder trafficking proceeds. There were serious, sustained eradication efforts in several key areas. Major traffickers were arrested, and their organizations dismantled. Seizures were up on several major trafficking routes, along with law enforcement and interdiction cooperation.

But 1994 was not a banner year for global counternarcotics cooperation and progress. Despite enforcement and interdiction efforts, the principal drug trafficking organizations did a brisk business in cocaine and heroin. They demonstrated an unprecedented degree of sophistication, rivaling that of the world's great multinational corporations. In Brazil, for example, we uncovered a trafficking organization managed by Russians, using Ghanaian and Nigerian couriers, and moving cocaine by way of West Africa to Europe and the United States. In their organization and technology, the trafficking networks compare favorably with the most modern businesses. They moved more cocaine than ever before to Europe and Southeast Asia. They fed a growing appetite for heroin in the Western Hemisphere. The independent states of the former Soviet Union offered laboratories not only for developing democracies and new market economies, but also for trafficking organizations in Turkey, Afghanistan, Pakistan, and Colombia seeking to exploit political instability to open up new routes to markets in Europe.

**Positive Developments.** The annual INCSR review, however, is by its very nature a snapshot of events captured in a narrow time-frame, and the picture must be seen in context. It omits a host of individually unheralded, but collectively important achievements that are lost among the more dramatic media accounts of a deteriorating drug situation. It does not reflect long-term progress, such as stronger counternarcotic cooperation between governments, the cumulative eradication of drug crops, the continued dismantling of trafficking networks, the steady inroads into the drug trade's financial networks, or international progress in limiting access to drug processing chemicals.

Such developments seldom capture dramatic headlines, especially when they take place routinely throughout the year in widely scattered countries. Yet, as we have noted in previous years, it is this kind of long-term, sustained action that the drug trade fears. The illegal drug industry knows that without a steady flow of drugs, money, and chemicals it cannot survive, particularly in the face of concerted action across borders by determined governments. Our aim is to keep up the momentum in all these areas in order to build upon the long term progress already achieved. Neutralizing the narcotic trade is not the work of a year or even of a decade--it is the work of a generation or more.

**Diplomatic Efforts.** In the past year, the US Government used both traditional and public diplomacy in the key drug countries to make governments aware of--and publicly accountable for--their role in the common effort. For example, greater use in 1994 of the drug certification process, which ties US foreign assistance to the antidrug performance of the major drug transit and producing countries, underscored the seriousness of our commitment to destroy the drug trade. We worked with growing success to encourage other donor government, international organizations, and international financial institutions to integrate counternarcotics into the loan and development policies.

At the same time we pressed ahead with long-range drug control assistance programs in the producing and transit countries, helping their governments to eradicate drug crops, destroy trafficking organizations, strengthen judicial systems, and reduce consumption at home. With few exceptions, these programs showed positive, if not always spectacular, results.

**Drug Cultivation Steady.** Continuing a trend detected in the early 1990s, the world's principal illicit drug crops did not expand significantly in 1994. While coca and opium poppy cultivation have fluctuated from year to year, the total area under cultivation for both crops in 1994 remained below the respective highs of 1992 and 1993. The size of the drug crop is important, for it not only sets an upper limit on the amount of finished drugs that can be produced, but it can also indicate how active governments have been in trying to suppress illicit drug cultivation. Coca cultivation remained essentially steady overall, with a slight overall increase in cultivation because of greater cultivation in Colombia and Bolivia. We were encouraged to see no increase in Peru's coca cultivation, since it grows over 60 percent of the world's coca supply. We were concerned, however, over reports of increasing opium poppy cultivation in Colombia and Peru. Worldwide, total estimated opium poppy hectarage fell, as a drop in Southeast Asian heroin offset a larger crop in Afghanistan and Pakistan. The 1994 potential opium poppy harvest was the smallest in three years, a positive development at a time that heroin consumption is increasing around the globe.

While a stable drug crop is good news, it is worth noting that in most cases government actions last year were responsible for little, if any, of the decline. Poor growing conditions in Southeast Asia held down the opium harvests, while fungus, weather, and soil depletion played a major role in limiting coca expansion in Peru.

**Eradication reluctance.** With some exceptions, most governments have been reluctant to conduct effective crop eradication programs. We have learned from experience that the most efficient way to make significant inroads into an illicit drug crop is by aerial eradication using environmentally approved herbicides. Few major drug producing countries, however, will allow the use of such products on drug crops, though many permit even stronger herbicides to control weeds in legitimate agricultural crops. Colombia is the only major drug producer currently carrying out intensive aerial eradication. The reasons for resisting aerially applied herbicides differ from country to country. They run the gamut from environmental concerns to the political

and economic realities of displacing and finding legitimate alternatives for illegal crop farmers to simple lack of political will. But the result in all cases is an illegal drug crop which poisons consumers in far-off lands and ultimately undermines the political and economic stability of the drug-producing country itself, while devastating the natural and social environment of these producer countries.

**Effective Actions.** The United States worked with the governments of the key drug-affected countries in 1994 to promote closer drug control cooperation at all levels. At the highest level of government, the US in December hosted the Miami Summit of the Americas, at which the leaders of 34 Western Hemisphere countries agreed to conclude a comprehensive counternarcotics strategy for the Twenty-First century. They acknowledged the critical importance of cutting off drug-related financial flows by agreeing to convene a Hemispheric Experts and Ministerial Conference on money laundering in the near future.

**Working Relations.** There was close cooperation at lower levels, as the US worked with governments to dismantle trafficking rings, eradicate crops, and provide training to strengthen judicial and law enforcement programs. In Latin America, we cooperated with counterpart agencies to target drug kingpins who had previously eluded capture through bribery and violence. Peru and Colombia hunted down a major drug trafficker, Demetrio Chavez Penaherrera, alias El Vaticano, whose organization had become the main supplier of Peruvian cocaine to the Cali cartel. By preventing Vaticano's organization from evolving into a full-blown syndicate, the Peruvians nipped a potentially serious new drug threat in the bud. He is currently serving a thirty-year sentence in a Peruvian maximum security jail.

The Mexican government arrested key figures from the Gulf (Matamoros) Cartel, the Arellano Felix group, believed responsible for the assassination of Cardinal Posada Ocampos, and sentenced Miguel Angel Felix Gallardo, a major trafficking syndicate leader involved in the 1985 murder of DEA Special Agent Camarena, to forty years in prison. In Thailand, authorities cooperated with DEA to capture ten of the key "lieutenants" of Shan United Army leader Khun Sa, inflicting serious damage to the strongest drug trafficking organization in the region. The Thai government is currently processing a USG extradition request for these criminals. The Thai action dealt a serious blow to the aura of invincibility which had developed around Khun Sa during the past decade. These accomplishments show that patience and persistence in pursuing the most elusive or well entrenched drug traffickers can eventually pay off.

Less spectacular but in the long run just as important were the ongoing, routine efforts of police, customs, and military units in many disparate countries. Brazil and Italy, for example, respectively seized 11 metric tons and 6.5 metric tons of cocaine in 1994--record amounts for each country. Pakistan and China reported seizing nearly 5 metric tons and 3.1 metric tons of heroin in the first nine months of the year; while Turkey (1.6 metric tons) and Italy (1.1 metric tons) each intercepted over a ton of heroin in 1994. Peru doubled its seizures of cocaine base in 1994 to over ten metric tons. Colombian police reported eradicating over 4,500 hectares each of coca and opium poppy. Burma reported destroying over 3,500 hectares of opium poppy. Pakistan removed a little over 400 hectares. Government authorities eradicated approximately 1,000 hectares of opium poppy in Venezuela.

These actions by themselves may seem of little consequence, but taken together over time they represent movement in the right direction. Fighting the drug trade is above all a matter of persistence and of advances sustained over time. Every ton of cocaine or heroin seized, every hectare of coca or poppy destroyed and not replanted represents drugs that do not reach the streets of America and thereby puts the drug trade on the defensive.

**The Key to Success: Political Will.** The linchpin of a successful counternarcotics strategy is political will. This means the willingness to push ahead with effective antidrug measures that may be politically unpopular in the short-term, but can permanently improve conditions over time. Year after year we see countries begin to make progress against the drug trade, only to lose ground when governments fail to carry through on antidrug initiatives. When governments back down it is almost always a sign of flagging political will. We notice it and so do the traffickers.

The pattern has become all too familiar. The government promises to attack the drug trade on all fronts. When it successfully finds the traffickers' weak point and causes losses, the drug organizations begin countermeasures. They may stir up farmer revolts in drug-growing areas, or bribe key government and military officials, or mount a campaign of terror. Few governments are willing to face down such pressure. Instead, they look for ways to appear to be making a serious effort at rolling back the drug trade while keeping trafficker backlash to a minimum. In practice, this has often meant hitting drug organizations in the particular sector where they can best absorb losses.

In countries where coca supply is critical to the trade, governments might avoid serious eradication campaigns, which could destroy the crop, and focus instead on interdiction. Any losses suffered in trafficker personnel are more than offset by gains in coca supply. Conversely, in a major cocaine processing and distribution country where trafficking organizations are more important to the trade than local drug crops, the authorities might attack the crop. But they do not reform the judicial system that allows traffickers to negotiate their way out of prison and stay in business. In a major drug banking country, the authorities might eradicate crops, interdict drugs and arrest traffickers, but evade serious banking reforms. Almost every country has or can develop the technical and professional capability to crush and destroy a vital element of the international drug trade. Every country has individual statesmen and law enforcement professionals who would like to see the drug trade crushed and destroyed. But so far few governments have shown the political determination to carry through fully on their promises.

**Corruption, Democracy and National Security.** That situation will have to change if these governments wish to avoid being devoured by corruption. At the heart of the struggle against the drug trade is a battle to eliminate corruption. Corruption is a threat to any nation's security, for it allows criminal elements to undermine the legitimacy of the state from within. Democracies are especially vulnerable--particularly fragile democracies in the developing world.

**Drug Corruption.** Among all criminal enterprises, the drug trade is best positioned to spread corruption. Drugs generate illegal revenues on a scale without historical precedent. At a street value of \$100 per gram, each metric ton of cocaine or heroin sold on the streets of the United States is worth \$100 million, twice as much if its purity is cut to increase quantity. At this price, 100 metric tons of cocaine seized in the Western Hemisphere in 1994 would have been worth at least \$ 10 *billion*, more than the GNP of many developing countries. This gives the drug trade revenues on a scale not available to most national governments -- and traffickers do not have to account to a central budget authority for their expenditures. Trafficking organizations have the wherewithal to buy their way into power. Why resort to armed force when one can buy protection at the highest levels of government? Of course, since they have modern fire-power and few ethical restraints against using it, violence is available as a fall-back position.

In the 1980's, many governments of the key drug-affected countries were slow to react to the threat posed by drug corruption. They placed the onus of blame and the responsibility for control on the consuming countries, especially on the world's largest consumer, the United States. Some governments felt that they could reap the economic benefits of large infusions of drug cash without paying any of the costs. These illusions were dispelled when Colombia's Medellin mafia assassinated the Minister of Justice in 1984. Since then drug syndicates have killed a Colombian presidential candidate (1989), Mexico's leading prelate (1993), and perhaps were involved in the assassination of the Mexican presidential candidate last September. Not even the highest levels of government are immune from attack by determined trafficking organizations seeking to manipulate democratic governments. As tragic as these deaths were, they demonstrate that no country can tolerate for long the presence of powerful drug trafficking interests. They show that it is only a question of time before they will face a direct or indirect challenge to their legitimacy by the drug trade. It is imperative that we intensify our collective efforts to destroy the drug trade before it succeeds in fully gaining *de facto* power in any country in the hemisphere.

**The Certification Process.** Drug corruption, like any form of subversion, thrives underground or in the shadows. It is in the drug trade's interest to remain behind the scenes working through corrupt public officials who can maintain a facade of probity and respectability. One of the best ways of routing out drug corruption is to expose it to public scrutiny. Thanks to a provision in the Foreign Assistance Act, the United States Government has a powerful diplomatic spotlight to illuminate such corruption: the drug certification process. Each year the President must certify whether every major drug producing and transit country has cooperated fully or has taken adequate steps on its own to meet the goals and objectives of the 1988 UN Convention, including the elimination of public corruption. In his annual determination, the President of the United States can focus international attention on the performance of the principal drug countries, citing their accomplishments and shortcomings and, if necessary, imposing serious foreign assistance reductions and other sanctions.

In the past two years, in keeping with a Presidential Directive, we have been using the certification process more stringently than ever before to provide honest appraisals of performance, recognize achievement, and condemn backsliding. We believe that, as painful or embarrassing as some countries may find this public scrutiny, it is the most effective means of ensuring that the drug trade cannot hide behind the polite formalities of traditional bilateral diplomacy. While such revelations may cause short-term embarrassment, in the long run they will limit the influence of the drug trade.

## **NEXT STEPS**

Experience has taught us that the drug trade is far from invincible. It is vulnerable at four points: at the source (suppression of drug crops); in processing (destruction of refineries, disruption of processing chemicals to clandestine labs); in the distribution system (interdicting shipments); and in its financial dealings (interrupting drug money flows). But it is particularly vulnerable at the crop cultivation and the financial operations stages. We have already stressed the importance of eliminating drugs at the source through eradication, but the financial transactions stage is also critical.

The drug cartels have created an enormous money-generating machine. It transforms a crude, common natural product into one of the world's most lucrative commodities. But this machine can only function when fueled by a steady flow of drugs to generate the money the syndicates require to stay in business. And the trafficking organizations can only remain viable with ready access to the money necessary to buy and process the drugs. Since the illicit drug trade, like a legitimate enterprise, partially finances future growth by borrowing against future earnings, every metric ton of drugs that does not make it to market represents a potential loss of tens of millions of dollars in essential revenue.

The formula for choking off the drug trade is simple: no drugs, no money; no money, no drugs. Implementing it, of course, is more difficult, but not impossible. By cutting off one or both of these critical ingredients for long enough, we can weaken and eventually destroy today's drug syndicates.

Our next step must be collectively to regain and maintain momentum in attacking the drug problem at all its vulnerable points. In past years we have often seen governments gear up for major campaigns against drug production and trafficking, undertake successful operations to put the drug syndicates on the defensive, and then lose heart. We keep taking and losing the same ground in regular cycles, many of which coincide with foreign election years when drug interests can manipulate the local political situation to their benefit.

Yet progress is possible. The governments of the major drug producing and transit countries should adhere to a simple military principle: they will not give up ground once taken. Had several major producer countries observed this principle over the past few years, drug crops could have been reduced dramatically. Bolivia, for example, in 1990 eradicated over 8,000 hectares of coca. In 1988, Peru eradicated over 5,000 hectares. The same year Burma

destroyed more than 12,000 hectares of opium poppy. The drug trade suffered. Had that peak rate been maintained subsequently and new cultivation prevented, Bolivia by now could have limited production to that required to meet legitimate needs, Peru's cultivation could have been checked much earlier, and Burma could have been down to half the opium poppy hectareage detected at the end of 1994. That would be real progress. Whatever the reasons for not sustaining this pace, these countries showed what is possible when a government throws its weight behind drug control.

We must work collectively to ensure that more governments keep up the offensive against the drug trade. This means working together to suppress and eventually eliminate illicit drug crops altogether. It means better law enforcement efforts to dismantle trafficking organizations and to keep drugs from entering the pipeline. It means more effective judicial reform to put and keep traffickers in jail. It means improved cooperation in the implementation of the Chemical Action Task Force's recommendations to deny traffickers the essential chemicals they need to produce cocaine and heroin. It requires closer international cooperation in fora such as the Financial Action Task Force, targeting the drug trade's profits, and focusing on elements such as stronger asset seizure laws and less bank secrecy. It also requires multilateral assistance to provide alternatives to drug crops, while increasing drug awareness, education, and prevention activities.

Finally, it requires the recognition by all governments that a strong drug trade--and especially the corruption it fosters--poses a direct challenge to national sovereignty. While the United States Government will continue to provide international leadership and resources to fight drugs, our partners must renew their commitment to rolling back the drug trade even in the face of inevitable political resistance. National self-interest, not levels of foreign assistance, must drive counternarcotics policy, since ultimately it is democratic government itself that is at stake in any contest with a powerful and entrenched drug trade.

\* \* \*

## COCA AND COCAINE

Cocaine still poses the greatest immediate drug threat to the country. In its smokable form--crack--cocaine is one of the most immediately addictive drugs known to mankind. Its stimulant and euphoric properties not only induce very rapid addiction, but can also provoke violent behavior in users. Much of the worst violence in America's large cities stems from the cocaine trade. Despite the USG's efforts, cocaine continues to pour into the United States, often in multi-ton shipments, by land, sea, and air. Prices remain low, availability high, and use distressingly constant.

But the United States is not alone. Realizing that no market is eternal, the major trafficking organizations have targeted the European public, as the enormous loads of cocaine that surface in European capitals attest. Italian authorities seized over six metric tons of cocaine in 1994, including the largest single European cocaine seizure on record, a shipment of 5.5 metric tons. Portugal reported 1.6 metric tons seized in the first ten months of the year. French authorities seized 1.5 metric tons of cocaine in Southwest France, their largest single seizure to date. Other European countries, including those in Eastern Europe and the Confederation of Independent States (CIS), have reported rising cocaine imports. Poland, now a transit point for the Cali syndicate, seized ten times more cocaine in 1994 than in 1993. There are reports of increasing cocaine abuse in cities as distant as Bangkok and Johannesburg. Ghanaian authorities made their largest cocaine seizure in September. Thus, what began primarily as a US problem has now become a global threat with serious implications for other governments already struggling with major social, health, and economic difficulties. And the cocaine flow shows no immediate sign of abating, though we have the technical means to cut it off at the source.

**The Case for Coca Eradication.** The expansion of cocaine exports, and our collective inability to interdict enough to put a serious dent in the market, underscores the importance of eliminating the coca crop on the ground. Unlike the widely dispersed opium poppy, the coca bush grows in a finite geographic area in three Andean countries. The US, which has pinpointed the major growing areas, has spray aircraft and a safe herbicide that can destroy illegal cultivation in a matter of months. Since the coca bush does not fully come "on-line" until it is 18 months or two years old, these simple measures could deprive the cocaine trade of its basic material, crippling it if not destroying it entirely. We need the necessary cooperation of the two largest coca growing countries to carry out this simple, but effective, crop control measure.

**Source and Transit Highlights.** US-bound cocaine traffic from South America shifted repeatedly during 1994, as the traffickers alternated routes to evade interdiction efforts. The heavy US military presence in the central Caribbean during the blockade of Haiti diverted much of the traffic to the Eastern Caribbean and Central America. The Eastern Caribbean in particular appears to loom large in traffickers' plans for opening new routes to both the United States and Europe, since it also includes territories still linked to the United Kingdom, France, and the Netherlands.

Although **Colombia** reported spraying over 4,900 hectares of coca, by year's end the crop had increased by 13 percent to 45,000 hectares, only slightly less than Bolivia, the world's second largest grower. While current evidence indicates that Colombian coca generally is of the low-yield *epadu* variety, with half the yield of Bolivian coca, the expansion of the crop is a disturbing development since it gives the Colombian drug syndicates a growing source of raw material as a hedge against possible crop destruction in Peru and Bolivia. Colombian authorities seized 62 metric tons of cocaine products (30 metric tons of cocaine hydrochloride (HCl) and 32 metric tons of cocaine base) nearly twice as much as the year before but not as much as the 1991 record of 86 metric tons.

For the fourth consecutive year, **Bolivia** missed its 5,000 to 8,000 hectares coca eradication target by the widest margin to date, eradicating only 1,058 hectares. By the end of the year, there were under cultivation 48,100 hectares of coca, more than in the previous three years but below the 1989 record of 52,900 hectares. As in previous years, the main impediments to eradication were political. We hope that the Bolivian government will overcome its political trepidation and meet its target in 1995. Seizures of cocaine base (approximately 6 metric tons) and cocaine HCl (1.02 metric tons) were up over the 5.3 metric tons seized in 1993.

In **Peru**, the world's largest coca grower, total cultivation remained stable at 108,600 hectares, thanks in part to the cumulative law enforcement activities of previous years, and to a fungus that struck in the principal coca-growing area of the Upper Huallaga Valley. The government eradicated coca seedbeds equivalent to nearly 5,000 hectares of mature cultivation. At the same time, coca cultivation spread to outlying areas where drug cultivation and trafficking was minimal. Peruvian authorities seized over 10 metric tons of cocaine paste, base, and HCl.

In **Mexico**, cocaine seizures fell to their lowest level in six years, as the assassination of two political leaders, the revolt in Chiapas, and a change of administration diverted law enforcement efforts from counternarcotics efforts. Mexican authorities seized 19.8 metric tons in the first ten months of 1994, not quite half of what they had seized during the same period in 1993. Since Mexico is one of the major staging areas for US-bound cocaine, any decline in seizures almost certainly meant an increase of cocaine flowing to US markets last year.

In **Panama**, on the other hand, cocaine seizures rose to 8.1 metric tons, a 42 percent increase over last year's 5.7 metric tons. It included one seizure of 3.5 metric tons, a record for Panama. For the second year running, in a joint effort with the USG, Panamanian spray aircraft eradicated 90 hectares of coca in the Darien region. This operation not only checked potential new cultivation outside a traditional coca-growing area, but again demonstrated the feasibility and safety of aerial crop destruction. **Costa Rica** seized 1.5 metric tons of cocaine HCl in 1994, only slightly less than its 1992 record high of 1.8 metric tons and nearly three times as much as it seized in 1993. **Belize** may be emerging as a potentially significant cocaine transit area. The withdrawal of British Forces from Belize in October 1994 removed a major deterrent to drug transit through this largely uncontrolled territory.

Although Belizean police had seized only 141 kg of cocaine by the end of 1994, in early 1995 they made a record haul of over half a metric ton. While this increase in the quantity of cocaine seized may simply reflect more effective performance, it also suggests that traffickers are looking for weak points through which to divert routes blocked by USG and other interdiction forces.

This was certainly the case in the **Eastern Caribbean**, a gateway to drugs entering the US Virgin Islands and Puerto Rico. In 1994, the region emerged as a major transit corridor for US-bound drugs. The success of US interdiction efforts in **The Bahamas** and **Turks and Caicos** islands, as well as US military activity around **Hispaniola**, contributed to the use of the area, which also includes British, Dutch, and French territories offering excellent conduits to Europe. The growing presence of drug traffickers also shook the political stability of the region, as drug lords attempted to muscle in on governments. The most violent events occurred in **St. Kitts**, where a deputy Prime Minister resigned after one son was killed and another two were arrested on drug trafficking charges. While the security forces of the seven independent Eastern Caribbean countries are grouped in a Regional Security System, their capability is limited. We can expect the drug trade to keep pressure on this region, especially if US, UK, and Canadian funding for regional interdiction forces declines as projected.

#### **OPIUM AND HEROIN.**

Judging from the quantities seized and the efforts to expand opium cultivation, the world's craving for heroin did not diminish in 1994. Heroin, which has long been the hard core addict's preferred drug in Europe and Asia, has gradually been staging a comeback in the United States. The US heroin addict population, which had remained stable at about 500,000 persons for nearly two decades, has grown to about 600,000 and may well be higher. A disturbing trend of multiple drug use suggests that more of America's 2.1 million hard-core cocaine addicts are using heroin to cushion the "crash" that follows the euphoria of crack use. The availability of a more potent, high purity heroin that can be snorted or smoked instead of injected may also add to its appeal. The drug trade appears to be counting on heroin's track record as a drug that can be used over longer periods of time. Unlike cocaine, which burns out its addicts in five years or less, heroin destroys its victims more slowly, in some cases allowing users to take the drug for decades.

Heroin is also taking its toll outside of the Western Hemisphere. Europe continues to suffer massive heroin addiction problems as larger shipments of the opiate move to the farthest reaches of Northern Europe and the countries of the former Soviet Union. Heroin markets are emerging in the Czech Republic, Hungary, and other countries in Eastern Europe, as more open borders facilitate transit of the drug. Heroin seizures are now commonplace in Africa, where Nigeria plays a pivotal role as a distribution center. In Southeast Asia, more addicts are switching from opium to heroin. China's addict population is on the rise, while Thailand has reported that heroin has replaced opium as the main drug of addiction among the hilltribes.

**Wholesale Advantage.** One should not overlook the economics of the heroin trade. Although heroin and cocaine are priced competitively at the street-level (sales per gram), at the wholesale level heroin provides a much higher return to the drug syndicates. A kilo of cocaine sells wholesale for between \$10,500 and \$40,000; a kilo of heroin brings in between \$150,000 to \$250,000. As heroin gains in appeal in the US, the South American cocaine trafficking syndicates are well positioned to take advantage of the wholesale profitability of the heroin trade.

**Source and Transit Highlights.** In the Western Hemisphere, **Colombia** again towered above other countries as the major opium poppy cultivation center, with an estimated 20,000 hectares of poppies under cultivation. While the opium gum yield is probably low--a yield study has yet to be conducted--Colombia may now be growing three and a half times more opium poppy than Mexico, even after the Colombian police reported eradicating nearly 4,700 hectares. Opium poppy cultivation in 1994 also spread across the border to **Venezuela**, where government authorities effectively eliminated incipient opium poppy cultivation by eradicating over 1,000 hectares in the Serrania de Perija frontier region. In **Peru**, the government destroyed numerous small poppy plots and in December made its first seizure of a commercial quantity of raw opium material. This move toward opium poppy cultivation should be a major source of worry to all governments concerned, since it represents an escalation of Latin America's already serious drug production problems. It is also a matter of concern to the United States, since the quality of South American heroin is improving. In its 1993 NNICC Report, issued in August 1994, the Drug Enforcement Administration (DEA) noted that South American heroin had the highest purity (average 59.3 percent) of any samples analyzed under its Domestic Monitor Program.

Since **Guatemala** has successfully eliminated all but a negligible amount of poppy cultivation--another testimonial to the critical importance of aerial eradication--**Mexico** remains the second largest Latin America grower of opium poppy. At the end of the year, the Mexican government had eradicated over 6,600 hectares, leaving approximately 5,800 hectares under cultivation. Mexico's cultivation levels in 1994 were the highest since 1989, when the Salinas government began an aggressive campaign to reduce opium production.

**Nigeria** remained a center for heroin trafficking networks in 1994. Nigerian couriers move heroin to all points of the compass, especially to Europe. Like Colombians in the cocaine trade, Nigerians are all but ubiquitous figures in heroin distribution networks. Nigerian trafficking organizations have been using **Ethiopia** as a regional hub to move heroin to and from Europe via Pakistan and India. Pakistani authorities arrested eight Nigerians with heroin aboard an Addis Ababa-bound flight in October. Ethiopian officials, in turn, arrested five Nigerian heroin traffickers in Addis Ababa in December. In addition, Thai prisons are full of Nigerians arrested for supplying heroin to US-based distribution rings.

Heroin continued to pour into **Europe** in 1994 along the "Balkan route," a network of roads and water conduits that carry drugs from Turkey to Western Europe. According to the Drug Enforcement Administration's 1993 NNICC Report, three quarters of all the heroin seized in Europe in the

past few years has moved along this route. The original Balkan Route, which ran from Turkey to Austria through the former Yugoslavia has now forked into a Southern Route through Greece to Italy and a Northern Route running through Bulgaria, Czechoslovakia, Hungary, and Romania to Germany. Much of the traffic is controlled by Turkish drug syndicates working with distributors in ethnic enclaves in large European cities.

The countries of the **Commonwealth of Independent States(CIS)** have also seen a growing influx of heroin, much of it coming up from Afghanistan and Pakistan through the Central Asian Republics, as well as from offshoots of the Balkan Route. All countries in the region report growing addiction to opiates ranging from crude products such as extract of poppy straw to high purity heroin. The breakdown of central authority in many countries has left the field open to drug traffickers, who are taking full advantage of the situation. It is also likely that opium poppy cultivation is spreading in many of the CIS countries, since many had once had traditional poppy plots. **Ukraine** reported an increase in poppy cultivation in its Ciscarpathian region, where a crude, potent, and cheap poppy extract reportedly has been competing successfully with more costly Pakistani opium. **Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan** are important poppy growing regions whose scarce enforcement resources, and in some cases civil wars, allow trafficking bands under local "khans" to operate with relative impunity in the region's remote mountainous areas. According to Russian authorities, in 1994 increasing amounts of opium from Tajikistan moved through Kyrgyzstan and on to Russia and the Baltic countries.

**Southwest Asia** experienced an expansion of opium poppy cultivation thanks to favorable growing conditions and minimal government intervention. **Afghanistan** set a new record of 29,100 hectares, more than double the 12,370 hectares reported in 1990, when active intervention by tribal leaders significantly reduced the crop. Most of the expansion in 1994 came from a tripling of cultivation in Helmand province. The USG estimates that the 1994 Afghan opium poppy crop potentially could have produced 950 metric tons of opium gum, six times more than **Pakistan**, which had 7,270 hectares under cultivation at the end of 1994 with a potential yield of 160 metric tons of gum. Pakistan did not conduct a significant eradication effort in 1994, eliminating just over half the amount eradicated in 1993. DEA estimates that half of all the opiates arriving in Turkey were transshipped from Karachi or the Makram coast of Baluchistan. A USG crop survey revealed that **India** in 1994 had 5,500 hectares of illicit opium poppy under cultivation, with a potential yield of 82 metric tons of opium gum, equal to 20 percent of the licit opium that Indian farmers produce for pharmaceutical use in India and overseas, principally the US.

Despite poor growing conditions in the Golden Triangle area of **Southeast Asia**, there was no shortage of opium. The 2,157 metric tons of opium potentially available could have yielded over 202 metric tons of heroin. **Burma** remains the undisputed leader in world illicit opium output, providing over 50 percent of known global illicit production. Even with a 21 percent drop in potential production over 1993's estimate, Burma's 2,030 metric tons of opium gum alone would probably meet most of the world's heroin needs. While there were modest signs of greater Burmese

government counternarcotics efforts, these efforts fell far short of the measures necessary to make serious progress against the drug trade in Burma. As in previous years, heroin seizures (one third of a metric ton) were disproportionately low in comparison to either the total potential crop or achievements of other countries.

**China** is a major transit route for heroin from Burma, Laos, and Vietnam to the US and other overseas markets. In 1994, the USG completed a crop survey of China's Yunnan Province showing 1,965 hectares of illicit opium poppy, with an estimated potential yield of 25 metric tons of gum. China led its neighbors by a wide margin in heroin seizures--over three metric tons in the first nine months of 1994. In **Laos**, opium poppy cultivation dropped to an historical low of 18,520 hectares, yielding an estimated potential 85 metric tons, less than half the 1993 estimated yield of 180 metric tons. Seizures in Laos remained disappointingly low at less than 62 kilos seized in the first eleven months of 1994. This was an improvement over 1993, however, when Laotian authorities seized less than one kilo. **Thailand**, the main transit route for drugs from the Golden Triangle, is no longer a significant producer of opium gum. It had 2,110 hectares of opium poppy under cultivation in 1994, with a potential yield of 17 metric tons of gum. In a precedent-setting cooperative law enforcement operation pursuant to a USG extradition request, the Thai government arrested and is processing US extradition requests for ten of drug warlord Khun Sa's most important associates. Thai authorities seized nearly a metric ton of heroin during the first ten months of 1994.

### **1988 UN CONVENTION**

At the end of 1994, 105 countries were parties to the 1988 UN Convention. During the year, nine countries--Colombia, Ethiopia, Kyrgystan, Latvia, Norway, Panama, Poland, St. Vincent and the Grenadines, and Sierra Leone--ratified or acceded to the Convention. We hope that those countries that are not yet parties to the Convention will become parties in 1995.

### **INTERNATIONAL ORGANIZATIONS**

International organizational efforts continue to be a key component of the overall US counternarcotics strategy. Through multilateral organizations the United States has the opportunity to multiply contributions from other donors and decrease the perception that drugs are exclusively a US problem. The US participation in multilateral programs also supports indigenous capabilities in regions where the US is unable to operate bilaterally for political or logistical reasons. Moreover, US contributions to the United Nations Drug Control Program (UNDCP) have had significant impact on the operations and expansion of UN counternarcotics programs and policy.

**UNDCP.** UNDCP has increased the number of projects as well as expanded the scope of its effort to include emerging drug source areas such as Vietnam, Cambodia, and the Central Asian states. Although forty percent of its total budget in 1993 went for supply reduction (alternative development), UNDCP expanded its support for institution building and demand reduction in 1994.

In addition, it:

- continued the first sub-regional projects between Thailand-Burma and China-Burma to eliminate opium poppy and increase interdiction efforts;
- established a pilot project in the Wa-controlled area of Burma;
- developed a follow-up program for remote and larger opium growing areas in Dir Pakistan, a key poppy growing area where significant opium poppy eradication has taken place in conjunction with UNDCP provided assistance;
- expanded UNDCP activities to provide chemical control investigative training;
- established a regional training project in the Caribbean to train prosecutors and judges in order to improve conviction rates on narcotics-related cases;
- coordinated bilateral and multilateral assistance to Eastern Europe and the NIS, and providing advice and legal expertise to the Newly Independent States to implement 1988 UN Convention, to bolster law enforcement and customs institutions;

At USG urging UNDCP is seeking to bolster its programs and revamp many of its field operations to more effectively focus on drug control objectives. UNDCP is strengthening efforts to focus programs and gain recipient commitment, including requiring specific in-kind contributions from the recipients. Stronger monitoring requirements are also included and projects are required to fit into the master plan approach which is a planning tool that outlines assistance needs and areas for recipient commitment.

Despite these efforts UNDCP is facing significant budget constraints. Increased contributions from donors such as Japan, did not make up for a \$23 million deficit caused by a drop in contributions from the largest donor, Italy.

The USG is strongly backs UNDCP's efforts to work within the UN to garner increased support from other UN bodies such as UNDP, FAO, UNICEF, and the International Financial Institutions. The financial and political power of other multilateral organizations would lend increased support to the UN drug effort.

UNDCP continues to support the treaty-based functions of the International Narcotics Control Board (INCB). Through the INCB secretariat which is housed in UNDCP, there has been increased efforts to establish a database on chemical exports. It has also prepared a model legislation package to assist governments to implement the UN drug conventions. This package has already been used by countries from Latin America to the NIS.

**Organization of American States (OAS).** The USG strongly supports OAS's anti-drug commission (CICAD) and increased interest has resulted stimulated increased aid from other donors. The OAS program concentrates on developing policy and program tools and training which can benefit all OAS Member States, rather than field projects. Some of the direct results of US contributions to OAS/CICAD:

- the development of model regulations on the control of precursor and essential chemicals and working with UNDCP to assist governments with implementation;
- the development of model regulations on control of money laundering and asset forfeiture which will be followed up by a series of subregional implementation workshops;
- assisting governments and non-governmental organizations to develop public awareness and drug abuse prevention campaigns;
- the provision of demand reduction prevention and awareness funded training in the area of drug treatment;
- implementation of a legal development program in Central America to assist countries to develop stronger laws, and better legal infrastructures, and to facilitate cooperation;
- the development of standardized statistical systems throughout the hemisphere a regional epidemiological survey was conducted in Central America.

#### **DEMAND REDUCTION**

Almost all of the major illicit drug producing and transit countries now have significant drug abuse problems, which not only degrade the political, social, and economic stability of a nation, but offer new markets to the drug trade. The USG has been working with many of these countries to reduce demand and prevent drug abuse.

In 1994, the USG addressed the question of international demand reduction through continuing bilateral and multilateral efforts. Bilaterally, INL continued to fund programs on demand reduction training (education, prevention, treatment, research) and public awareness, primarily in Latin America, Southeast and Southwest Asia. Increased assistance was provided to Eastern Europe, South Africa, and the Commonwealth of Independent States. It conducted bilateral programs in 1994 with Brazil, China, Colombia, Dominican Republic, Ecuador, Guatemala, India, Jamaica, Malaysia, Mexico, Pakistan, Panama, Peru, Thailand, and Venezuela, as well as with less significant drug producing and transit countries.

Multilaterally, the USG continued to work closely with the European Union, the UNDCP, UNICEF, the Inter-American Development Bank (IADB), OAS-CICAD, the Colombo Plan, the Pan American Health Organization (PAHO), and ASEAN on such projects as enhancing or creating regional demand reduction training centers in Argentina, Sicily, Thailand, and the Caribbean, and drug prevention services for "street children" in Brazil, Peru, Colombia, Ecuador, Bolivia, and Venezuela.

Significant accomplishments in the areas of demand reduction training and collaborative initiatives with other donors include the following:

- Thailand continued to build and staff a \$14 million, residential drug treatment complex and training center close to Bangkok.
- Thailand also developed a major community outreach program in Rangsit that includes re-entry, adolescent day care, and adult outpatient services, in addition to a 24 hour hotline. It also started treatment programs in northern and southern Thailand. There are plans for the construction of a second residential treatment program in Bangkok.
- Colombia continued to expand its national coalitions of treatment and prevention programs. The government convened a major treatment conference/training session for Latin American programs in Cartagena in July 1994.
- Malaysia, India, and Nepal developed prison-based drug treatment programs, while Pakistan established residential treatment programs in Peshawar and Islamabad, following INL/Colombo Plan training.
- Hungary developed residential drug treatment programs in Szege and Pesc.
- Based on INL/Center for Substance Abuse Prevention (CSAP) drug prevention training, India (Madras) formed a South Indian Citizens Forum Against Drug Abuse that includes senior Government officials and NGOs and established a school-based drug awareness program.
- Japan co-funded demand reduction projects with INL in South Africa (prevention and treatment), in addition to providing funds to an Andean street kids initiative developed by INL and OAS-CICAD.
- The IADB provided substantial funding to the network of street kids organizations in the State of Sao Paulo, Brazil, that were originally developed with INL and European Union (EU) funding.
- INL projects designed to develop community partnerships/coalitions of drug prevention programs in Asia received collaborative funding from the EU, UNDCP, and Colombo Plan.
- INL and the UNDCP developed plans to provide UNDCP funding for INL's sub-regional training center in Brazil for street kids, workers, and health care workers providing prevention/treatment services to adolescents. The center will include training slots for other Latin American countries.
- INL and the UNDCP also developed plans to provide UNDCP funding for INL's Sicily-based regional training center for Eastern Europe.

## CHEMICAL CONTROL

In early 1994, the Departments of Justice (including DEA), Treasury (including Customs) and State cooperated to review progress to date in chemical control and to develop a forward-looking strategy for an expanded US and international program to control diversion of precursor and essential chemicals.

The participants concluded that: "domestic and international efforts in chemical control are on the right path. The problem of chemical diversion has received increased international attention at policy and operational levels. Governments and international organizations have achieved a consensus on appropriate international controls, and the US and many other countries have enacted adequate national laws. There have been some encouraging recent signs on both domestic and international fronts. However, the global system of controls remains less than wholly efficient because it has not been fully implemented. The reasons for this vary from country to country, but generally include: (1) insufficient time to create the necessary administrative infrastructures, (2) lack of political will, (3) lack of resources, (4) lack of training, and (5) lack of communication internationally and between domestic enforcement agencies."

The strategy addresses these problems at both the policy/political and operational levels. It emphasizes multilateral cooperation in recognition of the international nature of the issue, usually involving diversion from commercial chemical transactions between third countries, and the need to enlist international support for chemical control training and assistance programs. Some of the most important developments in 1994 supportive of this policy include:

- The Inter-American Drug Control Commission (CICAD) of the Organization of American States (OAS) reconvened its chemical experts' group in May 1994 to assess progress in adopting and implementing the OAS Model Chemical Regulation. In response to a US suggestion, representatives from the European Union (EU) were invited. The meeting recommended, inter alia, that the EU and the CICAD meet and agree on the basis for cooperative agreements between the EU and OAS member states for controlling chemical commerce to prevent diversion. The fall 1994 CICAD meeting endorsed the chemical experts' recommendation, and it was one of the items cited for special support during the December 1994 Miami Summit of the Americas. The CICAD/EU discussions on the basic elements of agreements are underway.
- In February 1994, the UNDCP and the INCB held the first of two workshops on precursor control in Southeast Asia. The workshop was hosted by the Government of Thailand and funded in part by a special financial contribution from the United Kingdom. The second workshop was held January 30-February 3, 1995, in Manila hosted by the Government of the Philippines and with continuing financial support from the United Kingdom.

- UNDCP in August 1994 disseminated "Guidelines for Use by National Authorities in Preventing the Diversion of Precursors and Essential Chemical." The Guidelines build on the chemical control provisions of the 1988 UN Convention and draw on the recommendations of the Chemical Action Task Force (CATF). They provide the basis for national implementation of comprehensive, complementary chemical control regimes that will permit the inter-governmental cooperation essential for chemical diversion control.
- In October 1994, DEA, with significant financial support from the European Union, held a conference in Austria on drug and chemical diversion control for policy- and senior-level officials from ten CIS countries. The conference helped to establish a dialogue with CIS policy-level officials on the problems of illicit drug transit, manufacture, and uncontrolled trade in pharmaceuticals, steroids, and chemicals. Major topics of discussion were the need for adequate legislation and international treaty compliance, and the need to establish or strengthen national frameworks for administering drug and chemical regulatory and enforcement programs.
- Beginning in the fall of 1994, six South American countries--Bolivia, Peru, Chile, Brazil, Argentina, and Paraguay--cooperated in a joint operation - "Border Crunch" - to stem the flow of cocaine essential chemicals into Bolivia. Conducted with US support and assistance, the operation was directed at stopping the smuggling of chemicals into Bolivia by establishing or beefing up checks on cargo moving into the country. It succeeded in temporarily disrupting that traffic.
- India and Pakistan held discussions under the auspices of UNDCP to improve bilateral counternarcotics cooperation. In late 1994, the two governments signed an agreement to cooperate in controlling the smuggling of chemicals and narcotics between the two countries.
- In March 9, 1994, the Colombian National Police, in coordination with other national law enforcement authorities, raided the offices and storage facilities of Hollanda Chemical International. Authorities seized 1,754 metric tons of chemicals, enough to process 135.5 metric tons of cocaine. The raids were based on information developed by the US (DEA) and Colombian law enforcement authorities.
- Operational cooperation between US and German authorities increased, with the result that German authorities suspended three additional shipments of regulated chemicals to Latin America. Additionally, German authorities have on several occasions provided intelligence to the USG regarding proposed critical chemical shipments to sensitive areas. Cooperation with Dutch authorities at the operational level is also improving.

## FINANCIAL CRIME AND MONEY LAUNDERING

There were a number of significant accomplishments in the world of money laundering in 1994, and a number of new and/or intensified concerns:

**Accomplishments.** The Financial Action Task Force (FATF) completed the evaluations of each of its 26 member governments, all conducted by outside experts and all culminating in recommendations for changes and improvements which will be monitored through continuing examinations beginning in late 1995. The willingness of these leading financial centers to be examined by these experts testifies to the political will of FATF member governments, while reinforcing the universality of FATF's 40 recommendations and setting an example FATF urges other governments to emulate.

FATF took a major policy step in broadening the scope of its mandate to include money laundering from all serious crime, not limited to just drug trafficking, and its members began amending their laws to follow suit. FATF also took this broader approach on the road, urging adoption of its policy recommendations at seminars in Latin America, Asia and Europe.

Several financial center governments, such as Singapore and Panama, have adopted broad, new anti-money laundering policies and/or laws, and a number of governments were in the final stages of presenting/adopting new legislation. Russia and Eastern Europe received a continuing high level of bilateral and multilateral attention in 1994.

The successful cooperation between the US and foreign governments on multinational investigations, demonstrated earlier in Operation Green Ice, was manifest again in 1994 through Operations Primero and Dinero (which drew heavily for their successes on Spain, France, Italy, Canada and the UK).

The US also strengthened its domestic and international capabilities through the 1994 Money Laundering Suppression Act which applies the various US anti-money laundering measures to all money transmitters, while also promulgating wire transfer regulations, and reorganizing the Financial Crimes Enforcement Network and adopting a more comprehensive strategy for the Internal Revenue Service with respect to financial crimes.

Justice, Treasury and the Postal Service signed a memorandum of understanding establishing a mechanism for coordinating international drug money laundering undercover operations.

The money laundering issue continued to receive attention from major international policy making bodies, like the G-7, the Commission of the European Communities, the OAS and others, as well as specialized groups such as the Summit of the Americas and the UN-sponsored crime conference in Naples.

**Concerns.** Although more governments have ratified the 1988 UN Convention, and many important financial centers have adopted legislation to curb drug-related money laundering, far too many priority financial centers have yet to adopt needed legislation and/or to adhere to the Convention. Overall, the pace of implementation of these laws has been too slow.

Offshore banking, with the assurance of absolute secrecy by many jurisdictions which license such facilities, and, the manipulation of trade practices to move and conceal or generate illicit proceeds, were of increasing concern at year's end. Also of concern are the counterfeiting of currencies and other monetary instruments, especially bonds; the boom in contraband smuggling; the covert and sometimes overt buying of banks and other financial institutions by suspected criminal groups; the resort by criminals to the use of smaller, less-monitored banks; and the sophisticated use of such new phenomena as direct access and pass-through banking, and electronic cash systems.

There is continuing concern, given that financial crimes and money laundering are occurring with varying degrees of regularity in more than 125 jurisdictions, that some affected and/or vulnerable governments still have not criminalized money laundering. Some governments have not given sufficient regulatory authority to their central banks and other institutions to deal with this problem; many do not have adequate data systems to monitor trends and methods used in their territories, and many have not made adequate provision for mutual legal assistance.

Because of these issues, countries which have legislative, regulatory and enforcement systems that are vulnerable to money laundering, or limited ability to react to money laundering or other financial crime (whether drug-related or involving other illicit proceeds) can be considered to be of concern. Whether there is current evidence or not of drug-related money laundering in a given jurisdiction, the existence of or vulnerability to other financial crimes in that jurisdiction will eventually attract drug-related proceeds.

## METHODOLOGY FOR ESTIMATING ILLEGAL DRUG PRODUCTION

**How much do we know?** This report contains tables showing a variety of illicit narcotics-related data. While these numbers represent the USG's best effort to sketch the dimensions of the international drug problem, the picture is not as precise as we would like it to be. The numbers range from cultivation figures, relatively hard data derived by proven means, to crop production and drug yield estimates, much softer figures where many more variables come into play. *We publish these numbers with an important caveat: the yield figures are potential, not actual numbers. Although they are useful for examining trends, they are only approximations. They should not be treated as hard data.*

Since much information is lacking on yields, the numbers are subject to revision as more data become known. The nature of the illegal drug trade, in which the traffickers take great pains to maintain the security of their activities, makes it difficult to develop precise information. This is particularly relevant given the tremendous geographic areas that must be covered, and the difficulty of collecting reliable information in diverse and treacherous terrain.

**What We Know with Reasonable Certainty.** The most reliable information we have on illicit drugs is how many hectares are under cultivation. For more than a decade and a half, the USG has estimated the extent of illicit cultivation in a dozen nations using proven methods similar to those used to estimate the size of licit crops at home and abroad. We can thus estimate the area under cultivation with reasonable accuracy.

**What we know with less certainty.** Where crop yields are concerned, the picture is less clear. How much of a finished product a given area will produce is difficult to estimate, since small changes in such factors as soil fertility, weather, farming techniques, and disease can produce widely varying results from year to year and place to place. In addition, most illicit drug crop areas are inaccessible to the USG, making scientific information difficult to obtain. Moreover, we must stress that even as we refine our methods of analysis, we are estimating potential crop available for harvest.

These estimates do not allow for losses, which could represent up to a third or more of a crop in some areas for some harvests. Thus the estimate of the potential crop is useful in providing a theoretical, comparative analysis from year to year, but the actual quantity of final product remains elusive.

Since cocaine has been at the top of the USG's drug-control priority list, the USG has been trying to develop better yield data. USG confidence in coca leaf yield estimates has risen in the past few years, based upon the results of field studies conducted in Latin America. Three years ago, after completing preliminary research, the USG for the first time began to make its own estimate of dry coca leaf yields for Bolivia and Peru instead of relying solely on reports from the governments of those countries. Additional research and field studies may help refine these estimates and make similar improvements possible in estimates of other drug crops. *In all cases, multiplying average yields times available hectarage indicates only the potential, not the actual final drug crop available for harvest.*

**Harvest Estimates.** Estimating the quantities of coca leaf, opium gum, and cannabis actually harvested and available for processing into finished narcotics remains a major challenge. While we are making progress, at this time we cannot accurately estimate this amount with precision for any illicit crop in any nation.

While farmers naturally have strong incentives to maximize their harvests of what is almost always their most profitable cash crop, the harvest depends upon the efficiency of farming practices and the wastage caused by poor practices or difficult weather conditions during and after harvest. Up to a third or more of a crop may be lost in some areas during harvests.

In addition, mature coca (three to six years old), is more productive than immature or aging coca. Variations such as these can dramatically affect potential yield and production. Furthermore, if we continue to see limitations in the expansion of new coca we may begin to see dramatic declines in the next few years in productivity of existing fields. Factors such as this will produce fluctuations in estimates.

Additional information and analysis may enable us to make adjustments for these factors in the future. Similar deductions for local consumption of unprocessed coca leaf and opium may be possible as well through the accumulation of additional information and research.

**Processing Estimates.** The wide variation in processing efficiency achieved by traffickers complicates the task of estimating the quantity of cocaine or heroin that could be refined from a crop. These variations occur because of differences in the origin and quality of the raw material used, the technical processing method employed, the size and sophistication of laboratories, the skill and experience of local workers and chemists, and decisions made in response to enforcement pressures.

The USG continues to estimate potential cocaine production as a range based on processing efficiencies that appear to be most common. But we must stress that these estimates are still soft. We are currently undertaking a detailed study of this part of the cocaine production process. (See Yield Estimates below.)

The actual amount of dry coca leaf or opium converted into a final product during any time period remains unknown, given the possible losses noted earlier. There are indications, however, that cocaine processing efficiencies may not be as high as previously supposed, leaving traffickers with considerable room for improvement. Nevertheless, increasing seizure rates eat into the future profitability of the industry, and raise the cost of doing business.

**Figures Will Change as Techniques and Data Quality Improve.** Are this year's figures definitive? Almost certainly not. Additional research will produce revisions to USG estimates of potential drug production. This is typical of annualized figures for most other areas of statistical tracking--whether it be the size of the US wheat crop, population figures, or the unemployment rate--that must be revised year to year. For the present, however, these statistics represent the state of the art. As new information becomes available and as the art improves, so will the precision of the estimates.

## STATUS OF POTENTIAL WORLDWIDE PRODUCTION

In evaluating the figures below, one must bear in mind that they are theoretical. They represent estimates of potential production--the amounts that the USG estimates could have been produced if, and only if, all available crops were to be converted into finished drugs. Since these estimates make no allowance for losses, actual production is probably lower than our estimates. The figures shown are mean points in a statistical range.

**Potential Opium Production.** In **Southeast Asia**, estimated opium cultivation and production in the Golden Triangle countries dropped substantially in 1994. According to USG estimates, in 1994, growers in Burma, Laos, and Thailand cultivated an estimated 167,230 hectares of opium poppy, potentially yielding 2,132 metric tons of opium gum. This is a 15 percent decrease in estimated cultivation and a 24 percent drop in production over the 194,720 hectares and 2,797 metric tons estimated for 1993.

In **Burma**, estimated opium poppy cultivation decreased by some 12 percent to 146,600 hectares over the 165,800 reported for 1993. Estimated production fell by 21 percent to 2,030 metric tons compared to the 2,575 metric tons reported last year. Unfavorable weather conditions were largely responsible for the decline of the crop. In **Laos**, estimated cultivation decreased by 29 percent to 18,520 hectares from the 1993 figure of 26,040 hectares, estimated production fell by 53 percent to a six-year low of 80 metric tons. While this drop is dramatic, much of the decrease is attributable to below average rainfall during the sowing season and periods of frost before harvest. Estimated opium poppy cultivation in **Thailand** decreased by approximately 27 percent to 2,110 hectares from the 2,880 hectares observed last year. Thailand had an estimated potential production of 17 metric tons--60 percent below the 42 metric tons estimated in 1993. The USG is still examining the extent of opium cultivation in **Vietnam**, though a Vietnamese government source reported 3,770 hectares cultivated during the 1993/1994 growing season. In 1994, the USG for the first time conducted a survey of **China's** Yunnan Province and located 1,925 hectares of opium poppy, with an estimated potential yield of 25 metric tons of gum.

After levelling off in 1993, opium poppy cultivation in **Southwest Asia** shot up in 1994. Total hectareage in Afghanistan and Pakistan increased by 33 percent, from 27,360 hectares in 1993 to 36,450 hectares at the end of 1994. **Afghanistan** remains the world's second largest opium producer. Afghan hectareage increased from 21,080 hectares in 1993 to 29,180 hectares in 1994. This represents a rising trend from the 17,790 hectares that were under cultivation in 1989. Potential production rose 39 percent from an estimated 685 metric tons in 1993 to 950 metric tons in 1994. In **Pakistan**, opium cultivation was significantly higher in 1994. Hectareage rose from 6,280 hectares in 1993 to 7,270 hectares at the end of 1994. Estimated potential production climbed correspondingly from 140 metric tons in 1993 to 160 metric tons in 1994. For the first time, the USG conducted a survey of **India** in 1994, detecting 5,500 hectares of opium poppy, with a potential yield of 82 metric tons of gum. Based on USG data, in 1994 India vied with Laos for the position of the world's third largest potential producer of opium. We have no firm data about poppy cultivation or opium production in **Iran**. The USG estimated in 1992 that Iran had approximately 3,500 hectares of opium poppy with a potential yield of 35 metric tons to 70 metric tons. There has been no new information in 1994.

The USG is still examining the illicit drug crop situation in Russia, the Baltics, and the Central Asian countries formerly part of the Soviet Union. While some of these countries may be able to produce significant opium poppy harvests, the USG still lacks sufficient data to identify and measure all suspected cultivation areas. We do not expect to have conclusive results before late 1995.

In the **Western Hemisphere**, the opium poppy growing countries have maintained active crop control efforts in the face of a campaign by criminal organizations to expand the area under cultivation. In **Colombia**, the government kept total 1994 opium poppy cultivation to approximately 20,000 hectares by aerial destruction of 4,676 hectares. Alkaloid content remains low, though there are indications that yields have markedly increased as farmers have improved their methods. **Mexico's** opium poppy cultivation in 1994 was an estimated 5,795 hectares, after eradicating 6,620 hectares. The potential yield is 60 metric tons, up 22 percent from 1993's estimate of 49 metric tons. **Guatemala's** poppy cultivation remains at minimal levels after government efforts eradicated 150 hectares, three quarters of the amount detected.

**Coca Cultivation.** Worldwide coca cultivation rose very slightly to 201,700 hectares in 1994, still considerably lower than 1992's high of 211,700 hectares. In **Peru**, cultivation remained essentially steady at 108,600 hectares. **Colombia** experienced the greatest increase in coca cultivation, which, after eradication of 4,910 hectares was 44,700 hectares of coca in place at the end of 1994. This was a 13 percent increase over the 1993 total of 39,700 hectares. In **Bolivia**, government forces eradicated 1,058 hectares of coca, leaving an estimated 48,100 hectares under cultivation at the end of 1994. This is a negligible increase over 1993's estimate of 47,200 hectares. Some coca is cultivated in inaccessible areas of **Brazil**, but its extent is unknown. Ecuador has only negligible amounts of coca.

#### **COCAINE YIELD ESTIMATES**

The cocaine yield figure is offered with the same caveat as the crop harvest yield data: it is a figure representing *potential* production. It is a theoretical number. It does not in every case allow for losses or the many other variables that one would encounter in a "real world" conversion from plant to finished drug. In fact, the amount of cocaine HCl actually produced is probably lower. A USG team that studied cocaine processing in Bolivia's Chapare region in 1993 found that in the laboratories under observation processing efficiency was lower than previously thought. The estimate for Bolivia has been reduced accordingly and the figure published as a point estimate rather than as a range. The Drug Enforcement Administration will publish the findings of this study separately.

In 1994, taking into account estimates of local consumption and local seizures, the USG calculates that if virtually every coca leaf were converted into cocaine HCl, and there were no losses because of inefficiencies, bad weather, disease, or the deterrent effects of law enforcement, 840 metric tons of cocaine HCl theoretically could have been available from Colombia, Bolivia, and Peru for worldwide export. This figure includes 500 metric tons potentially available from Peru, 270 metric tons\* potentially available from Bolivia, and approximately 70 metric tons potentially available from

Colombia. In publishing these numbers, we repeat our caveat that these are theoretical numbers, useful for examining trends. Though research is moving us closer to a more precise cocaine yield estimate for Latin America, at this stage we do not know the actual amount available for distribution.

\*DEA believes that the *actual* (as opposed to the potential) yield figure is 211 metric tons, based on methodology published last year by DEA.

## CONSUMPTION DATA

Most of the chapters in this report contain some user or consumption data. For the most part, these are estimates provided by foreign governments or informal estimates by USG agencies. There is no way to vouch for their reliability. They are included because they are the only data available and give an approximation of how governments view their own drug abuse problems. They should not be considered as a source of data to develop any reliable consumption estimates.

## MARIJUANA PRODUCTION.

Cannabis cultivation dropped in **Mexico** in 1994 to 10,550 hectares with a potential yield of 5,540 metric tons. This is a six percent drop from 1993's figure of 11,220 hectares. Mexican law enforcement agencies eradicated 8,495 hectares of cannabis in 1994. In **Colombia's** traditional cannabis growing zones, where intensive eradication in previous years had virtually destroyed the crop, there was a resurgence of cultivation in 1993 to an estimated 5,000 hectares. That estimate did not change in 1994. Crop yield is estimated at 4,138 metric tons for 1994. **Jamaica's** cannabis crop was down in 1994 to 308 hectares, from 744 hectares in 1993. The 1994 potential yield was 208 metric tons, less than half the 1993 figure of 502 metric tons. We recognize that there may be considerable undetected cannabis cultivation in Central and East Asia. As we gather more accurate information, we will report on significant findings in future INCSRs.

# Worldwide Illicit Drug Cultivation Totals

Country	1994			1993			1992			1991			1990		
	Hectares			Hectares			Hectares			Hectares			Hectares		
	Cultivated	Eradicated	Net	Cultivated	Eradicated	Net									
<b>Opium</b>															
Afghanistan	29,180	0	29,180	21,080	0	21,080	19,470	0	19,470	17,190	0	17,190	12,370	0	12,370
India	5,500	0	5,500	4,400	0	4,400	-	-	-	-	-	-	-	-	-
Iran*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan	7,733	463	7,270	6,280	856	6,280	9,147	977	8,170	8,645	440	8,205	8,405	185	8,220
<b>Total SW Asia</b>	<b>36,913</b>	<b>463</b>	<b>36,450</b>	<b>27,360</b>	<b>856</b>	<b>27,360</b>	<b>28,617</b>	<b>977</b>	<b>27,640</b>	<b>25,835</b>	<b>440</b>	<b>25,395</b>	<b>20,775</b>	<b>185</b>	<b>20,590</b>
Burma	149,945	3,345	146,600	166,404	604	165,800	154,915	1,215	153,700	161,012	1,012	160,000	150,100	0	150,100
China	1,965	0	1,965	-	-	-	-	-	-	-	-	-	-	-	-
Laos	18,520	0	18,520	26,040	0	26,040	25,610	0	25,610	29,625	0	29,625	30,580	0	30,580
Thailand	2,110	0	2,110	2,880	0	2,880	3,630	1,580	2,050	4,200	1,200	3,000	4,155	720	3,435
<b>Total SE Asia</b>	<b>172,540</b>	<b>3,345</b>	<b>169,195</b>	<b>195,324</b>	<b>604</b>	<b>194,720</b>	<b>184,155</b>	<b>2,795</b>	<b>181,360</b>	<b>194,837</b>	<b>2,212</b>	<b>192,625</b>	<b>184,835</b>	<b>720</b>	<b>184,115</b>
Colombia	24,676	4,676	20,000	29,821	9,821	20,000	32,715	12,715	20,000	2,316	1,156	1,160	-	-	-
Lebanon**	-	-	-	440	0	440	-	-	-	3,400	0	3,400	3,200	0	3,200
Guatemala	-	-	-	864	426	438	1,200	470	730	1,721	576	1,145	1,930	1,085	845
Mexico	12,415	6,620	5,795	11,780	7,820	3,960	10,170	6,860	3,310	10,310	6,545	3,765	10,100	4,650	5,450
<b>Total Other</b>	<b>37,091</b>	<b>11,296</b>	<b>25,795</b>	<b>42,905</b>	<b>18,067</b>	<b>24,838</b>	<b>44,085</b>	<b>20,045</b>	<b>24,040</b>	<b>17,747</b>	<b>8,277</b>	<b>8,310</b>	<b>15,230</b>	<b>5,735</b>	<b>9,495</b>
<b>Total Opium</b>	<b>246,544</b>	<b>15,104</b>	<b>231,440</b>	<b>265,589</b>	<b>19,527</b>	<b>246,918</b>	<b>256,857</b>	<b>23,817</b>	<b>233,040</b>	<b>238,419</b>	<b>10,929</b>	<b>226,330</b>	<b>220,840</b>	<b>6,640</b>	<b>214,200</b>
<b>Coca</b>															
Bolivia	49,158	1,058	48,100	49,600	2,400	47,200	50,649	5,149	45,500	53,386	5,486	47,900	58,400	8,100	50,300
Colombia	49,910	4,910	45,000	40,493	793	39,700	38,059	959	37,100	38,472	972	37,500	41,000	900	40,100
Peru	108,600	0	108,600	108,800	0	108,800	129,100	0	129,100	120,800	0	120,800	121,300	0	121,300
Ecuador	na	na	na	na	na	na	na	na	na	120	80	40	150	30	120
<b>Total Coca</b>	<b>207,668</b>	<b>5,968</b>	<b>201,700</b>	<b>198,893</b>	<b>3,193</b>	<b>195,700</b>	<b>217,808</b>	<b>6,108</b>	<b>211,700</b>	<b>212,778</b>	<b>6,538</b>	<b>206,240</b>	<b>220,850</b>	<b>9,030</b>	<b>211,820</b>
<b>Cannabis</b>															
Mexico	19,045	8,495	10,550	21,190	9,970	11,220	28,520	12,100	16,420	28,710	10,795	17,915	41,800	6,750	35,050
Colombia	5,000	14	4,986	5,050	50	5,000	2,000	0	2,000	2,000	0	2,000	2,000	500	1,500
Jamaica	1,000	692	308	1,200	456	744	1,200	811	389	1,783	833	950	2,250	1,030	1,220
Belize	-	-	-	-	-	-	320	266	54	320	266	54	400	335	65
<b>Total Cannabis</b>	<b>25,045</b>	<b>9,201</b>	<b>15,844</b>	<b>27,440</b>	<b>10,476</b>	<b>16,964</b>	<b>32,040</b>	<b>13,177</b>	<b>18,863</b>	<b>32,813</b>	<b>11,894</b>	<b>20,919</b>	<b>46,450</b>	<b>8,615</b>	<b>37,835</b>

\* While we do not have solid data, the USG estimated in 1992 that Iran may have 3,500 hectares of opium poppy under cultivation. That estimate did not change in 1994.

\*\* An Lebanese eradication campaign in 1994 reduced cultivation to insignificant levels.

**Estimated Worldwide Potential  
Illicit Drug Net Production 1990 - 1994**  
(metric tons)

Country	1994	1993	1992	1991	1990
<b>Opium</b>					
Afghanistan*	950	685	640	570	415
India	82	66	-	-	-
Iran**	-	-	-	-	-
Pakistan	160	140	175	180	165
<b>Total SW Asia</b>	<b>1,192</b>	<b>891</b>	<b>815</b>	<b>750</b>	<b>580</b>
Burma	2,030	2,575	2,280	2,350	2,255
China	25	-	-	-	-
Laos	85	180	230	265	275
Thailand	17	42	24	35	40
<b>Total SE Asia</b>	<b>2,157</b>	<b>2,797</b>	<b>2,534</b>	<b>2,650</b>	<b>2,570</b>
Colombia	-	-	-	-	-
Lebanon**	-	4	-	34	32
Guatemala	-	4	-	17	13
Mexico	60	49	40	41	62
<b>Total Above</b>	<b>60</b>	<b>57</b>	<b>40</b>	<b>92</b>	<b>107</b>
<b>Total Opium</b>	<b>3,409</b>	<b>3,745</b>	<b>3,389</b>	<b>3,492</b>	<b>3,257</b>
<b>Coca Leaf</b>					
Bolivia	89,800	84,400	80,300	78,000	77,000
Colombia	35,800	31,700	29,600	30,000	32,100
Peru	165,300	155,500	223,900	222,700	196,900
Ecuador	-	100	100	40	170
<b>Total Coca Leaf</b>	<b>290,900</b>	<b>271,700</b>	<b>333,900</b>	<b>330,740</b>	<b>306,170</b>
<b>Cannabis</b>					
Mexico	5,540	6,280	7,795	7,775	19,715
Colombia	4,138	4,125	1,650	1,650	1,500
Jamaica	208	502	263	641	825
Belize	0	0	0	49	60
Others	3,500	3,500	3,500	3,500	3,500
<b>Total Marijuana</b>	<b>13,386</b>	<b>14,407</b>	<b>13,208</b>	<b>13,615</b>	<b>25,600</b>

\* DEA believes, based upon foreign reporting and human sources, that opium production in Afghanistan may have exceeded 900 mt in 1992 and 1993.

\*\* While there is no solid information on Iranian opium production, the USG estimates that Iran may potentially produce between 35-75 MT of opium gum annually.

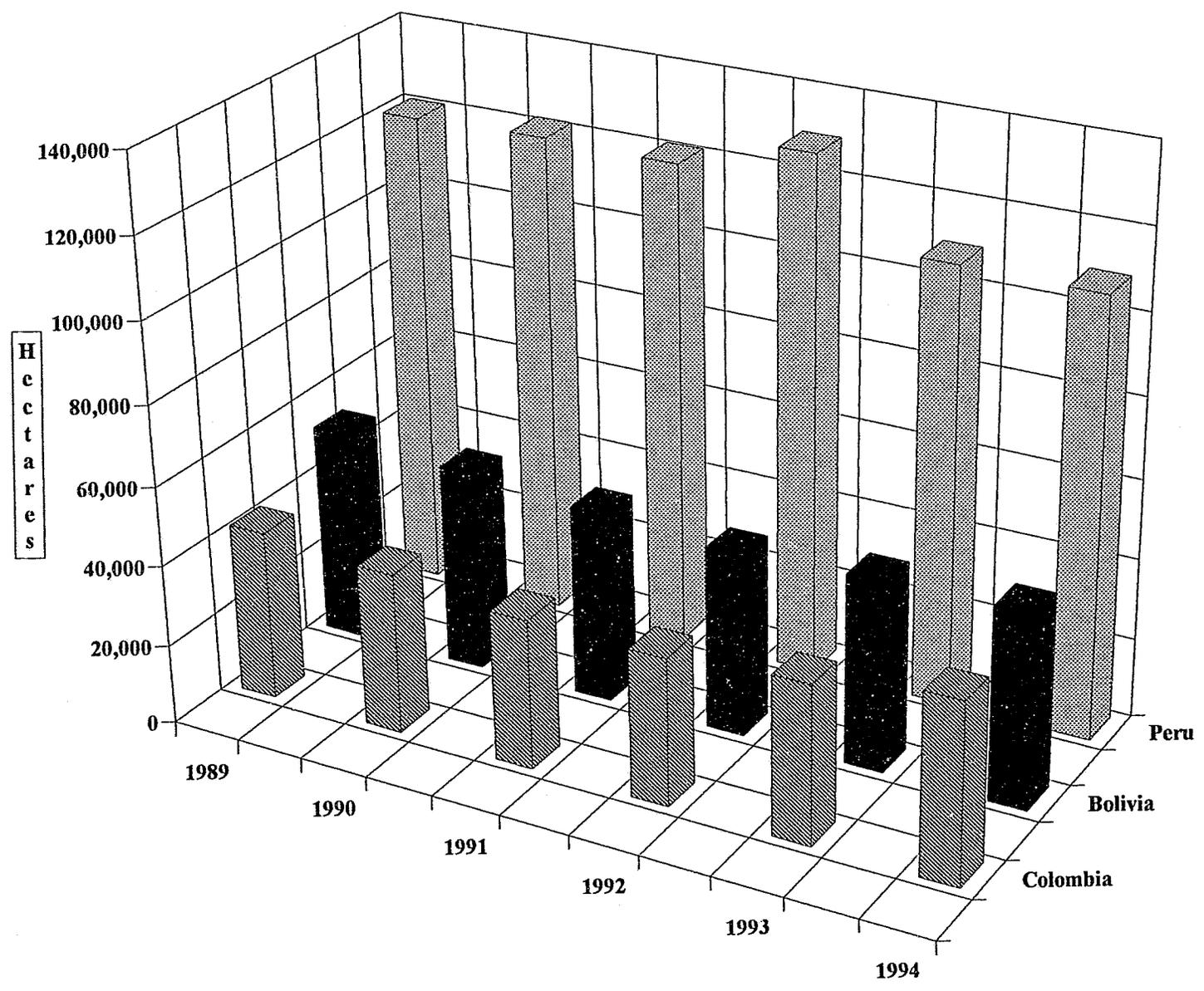
\*\*\* There was no information for 1992 production. For 1994, a vigorous eradication campaign reduced potential production to insignificant levels.

## NOTES FOR PRODUCTION CHARTS

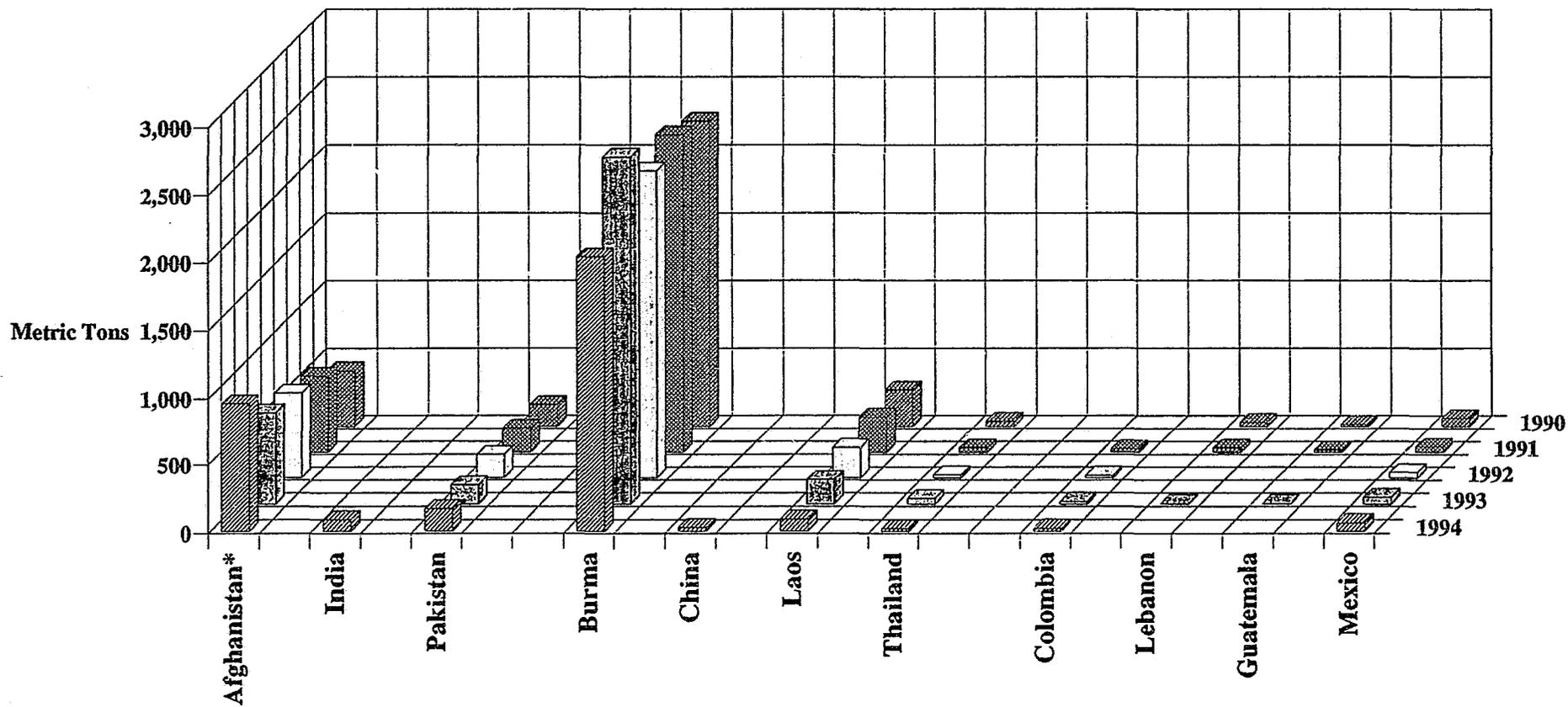
**Opium Yield Information.** An opium yield study conducted in Thailand from December 1991-February 1992 indicated that yield was about 28 percent lower than previously supposed. (11.6 kg/ha, instead of 16 kg/ha.) We have adjusted the Thai opium estimate to reflect this yield.

**Coca yield information.** After analyzing field studies conducted in Peru and Bolivia, in 1991 we concluded that we were underestimating the **potential** yield of the coca crop in Bolivia and particularly in Peru. The 1991 analysis revealed that mature coca bushes--those that are two to fifteen years old and capable of producing full leaf harvests three or four times a year--have average yields of 2.7 metric tons per hectare in Bolivia's Chapare region and 2.3 metric tons per hectare in Peru's Upper Huallaga Valley. Mature plant yields elsewhere in these two nations appear to be 1.0 and 1.14 metric tons per hectare, respectively. New coca bushes--those planted in the last two years--have very low yields and are often not even harvested. Based on this analysis, we have been able to distinguish between new coca and mature coca in our cultivation estimates. We have calculated the potential dry coca leaf crop in Bolivia and Peru for each of the last five years by multiplying the average mature coca plant yield times the estimate of the hectarage of mature coca under cultivation. The previous yield estimate for the lowland coca variety grown in Colombia--800 kilograms per hectare--is still used to calculate that country's potential, though the yield may be improving. The mature coca plant yield estimates highlight the fact that changes in dry coca leaf production will always lag behind changes in the area of coca under cultivation by two years. The data for previous years in Bolivia and Peru have been adjusted to reflect a ratio of 1.14 metric tons of leaf per hectare, in place of an earlier ratio of 1.03 metric tons of leaf per hectare.

# Andean Coca Cultivation 1989 - 1994



# Comparative Potential Opium Production 1990-1994



Opium Production Chart

1995 INCSR

## Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
<i>Signed and Ratified</i>		
Afghanistan	20-Dec-88	14-Feb-92
Antigua and Barbuda	accession	5-Apr-93
Argentina	20-Dec-88	28-Jun-93
Armenia	accession	13-Sep-93
Australia	14-Feb-89	16-Nov-92
Azerbaijan	accession	22-Sep-93
Bahamas	20-Dec-88	30-Jan-89
Bahrain	28-Sep-89	7-Feb-90
Bangladesh	14-Apr-89	11-Oct-90
Barbados	accession	15-Oct-92
Belarus	27-Feb-89	15-Oct-90
Bhutan	accession	27-Aug-90
Bolivia	20-Dec-88	20-Aug-90
Bosnia and Herzegovina	succession	1-Sep-93
Brazil	20-Dec-88	17-Jul-91
Brunei Darussalam	26-Oct-89	12-Nov-93
Bulgaria	19-May-89	24-Sep-92
Burkina Faso	accession	2-Jun-92
Burma	Ratified	11-Jun-91
Burundi	accession	18-Feb-93
Cameroon	27-Feb-89	28-Oct-91
Canada	20-Dec-88	5-Jul-90
Chile	20-Dec-88	13-Mar-90
China	20-Dec-88	25-Oct-89
Colombia	20-Dec-88	10-Jun-94
Costa Rica	25-Apr-89	8-Feb-91
Cote d'Ivoire	20-Dec-88	25-Nov-91
Croatia	succession	26-Jul-93
Cyprus	20-Dec-88	25-May-90
Czech Republic	succession	30-Dec-93
Denmark	20-Dec-88	19-Dec-91
Dominica	accession	30-Jun-93
Dominican Republic	accession	21-Sep-93
European Economic Community	8-Jun-89	31-Dec-90
Ecuador	21-Jun-88	23-Mar-90
Egypt	20-Dec-88	15-Mar-91
El Salvador	accession	21-May-93
Ethiopia	accession	11-Oct-94
Fiji	accession	25-Mar-93
Finland	8-Feb-89	15-Feb-94
France	13-Feb-89	31-Dec-90
Germany	19-Jan-89	30-Nov-93
Ghana	20-Dec-88	10-Apr-90
Greece	23-Feb-89	28-Jan-92
Grenada	accession	10-Dec-90

## Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
Guatemala	20-Dec-88	28-Feb-91
Guinea	accession	27-Dec-90
Guyana	accession	19-Mar-93
Honduras	20-Dec-88	11-Dec-91
India	accession	27-Mar-90
Iran	20-Dec-88	7-Dec-92
Italy	20-Dec-88	31-Dec-90
Japan	19-Dec-89	12-Jun-92
Jordan	20-Dec-88	16-Apr-90
Kenya	accession	19-Oct-92
Kyrgyzstan	accession	7-Oct-94
Latvia	accession	24-Feb-94
Luxembourg	26-Sep-89	29-Apr-92
Macedonia, Former Yugoslav Rep.	accession	13-Oct-93
Madagascar	accession	12-Mar-91
Malaysia	20-Dec-88	11-May-93
Mauritania	accession	1-Jul-93
Mexico	16-Feb-89	11-Apr-90
Moldova	accession	3-Nov-94
Monaco	24-Feb-89	23-Apr-91
Morocco	28-Dec-88	28-Oct-92
Nepal	accession	24-Jul-91
Netherlands	18-Jan-92	8-Sep-93
Nicaragua	20-Dec-88	4-May-90
Niger	accession	10-Nov-92
Nigeria	1-Mar-89	1-Nov-89
Norway	20-Dec-88	1-Jan-94
Oman	accession	15-Mar-91
Pakistan	20-Dec-88	25-Oct-91
Panama	20-Dec-88	13-Jan-94
Paraguay	20-Dec-88	23-Aug-90
Peru	20-Dec-88	16-Jan-92
Poland	6-Mar-89	26-May-94
Portugal	13-Dec-89	3-Dec-91
Qatar	accession	4-May-90
Romania	accession	21-Jan-93
Russia	19-Jan-89	17-Dec-90
St. Vincent /G	accession	17-May-94
Saudi Arabia	accession	9-Jan-92
Senegal	20-Dec-88	27-Nov-89
Seychelles	accession	27-Feb-92
Sierra Leone	9-Jun-89	6-Jun-94
Slovakia	succession	28-May-93
Slovenia	succession	6-Jul-92
Spain	20-Dec-88	13-Aug-90
Sri Lanka	accession	6-Jun-91
Sudan	30-Jan-89	19-Nov-93

**Countries which have signed and/or ratified/acceded to the UN Convention**

Country	Date Signed	Date Ratified/Acceded
Suriname	20-Dec-88	28-Oct-92
Sweden	20-Dec-88	22-Jul-91
Syria	accession	3-Sep-91
Togo	3-Aug-89	1-Aug-90
Tunisia	19-Dec-89	20-Sep-90
UAE	accession	12-Apr-90
Uganda	accession	20-Aug-90
Ukraine	16-Mar-89	28-Aug-91
United Kingdom	20-Dec-88	28-Jun-91
United States	20-Dec-88	20-Feb-90
Venezuela	20-Dec-88	16-Jul-91
Yugoslavia	20-Dec-88	3-Jan-91
Zambia	9-Feb-89	28-May-93
Zimbabwe	accession	30-Jul-93

*Signed but pending ratification*

Algeria	20-Dec-88	
Austria	25-Sep-89	
Belgium	22-May-89	
Cuba	7-Apr-89	
Gabon	20-Dec-89	
Holy See	20-Dec-88	
Hungary	22-Aug-89	
Indonesia	27-Mar-89	
Ireland	14-Dec-89	
Israel	20-Dec-88	Awaiting Money Laundering Legislation
Jamaica	2-Oct-89	
Kuwait	2-Oct-89	
Maldives	5-Dec-89	
Mauritius	20-Dec-88	
New Zealand	18-Dec-89	
Philippines	20-Dec-88	
Switzerland	16-Nov-89	
Tanzania	20 dec 88	
Trinidad/T	7-Dec-89	
Turkey	20-Dec-88	Awaiting Money Laundering Legislation
Uruguay	19-Dec-89	Awaiting action in Parliament 1993
Yemen	20-Dec-88	
Zaire	20-Dec-88	

*Other*

Andorra  
 Anguilla  
 Armenia  
 Aruba  
 Belize  
 Benin

**Countries which have signed and/or ratified/acceded to the UN Convention**

<b>Country</b>	<b>Date Signed</b>	<b>Date Ratified/Acceded</b>
Bermuda		
Botswana		
BVI		
Cape Verde		
Cayman Is.		
Chad		
Comoros		
Estonia		
Gambia		
Georgia		
Haiti		
Hong Kong		
Iceland		
Iraq		
Kazakhstan		
Korea		
Laos		
Lebanon		
Lesotho		
Liberia		
Liechtenstein		
Lithuania		
Mali		
Malta		
Mozambique		
Papua New Guinea		
Singapore		
South Africa		
St. Lucia		Awaiting US Assistance in Draft Laws
Sudan		Plans to sign and ratify in 1993
Taiwan		
Tajikistan		
Thailand		
Tonga		
Turkmenistan		
Turks & Caicos		
Vanuatu		
Viet Nam		

24-Feb-95

**NARCOTICS**  
**FY 1996 BUDGET REQUEST**  
**(\$ in thousands)**

PROGRAMS	FY 1994 Plan	FY 1995 Estimated	FY 1996 Request	% of Request Narc Bud Request
	-----	-----	-----	
<b>INTERNATIONAL NARCOTICS</b>				
<i>Latin America</i>				
Bahamas	700	700	700	
Bolivia	44,067	25,829	60,000	
Brazil	400	600	1,000	
Colombia	28,700	29,000	35,000	
Ecuador	500	500	850	
Guatemala	2,000	2,500	2,550	
Jamaica	600	600	1,000	
Peru	17,800	16,000	42,000	
Venezuela	400	500	500	
L A Regional	4,735	4,000	7,000	
	-----	-----	-----	
<i>Latin America Subtotal</i>	99,902	80,229	150,600	71%
<i>Asia/Africa/Europe</i>				
Laos	2,000	2,200	2,000	
Pakistan	2,500	2,500	2,500	
Thailand	3,000	1,250	1,500	
Turkey	400	400	400	
NIS/East Europe	--	--	4,000	
Asia/Africa/Europe Regional	900	1,450	1,500	
	-----	-----	-----	
<i>Asia/Africa Subtotal</i>	8,800	7,800	11,900	6%
<i>Interregional Aviation Support</i>	19,000	24,000	21,000	10%
	-----	-----	-----	
<b>Total Country Programs</b>	127,702	112,029	183,500	86%
<b>International Organizations</b>	5,000	6,500	11,500	5%
<b>Law Enf. Trng. and Drug Awareness/Demand Reduction</b>	8,000	7,000	11,500	5%
<b>Program Development &amp; Support</b>	6,000	6,300	6,500	3%
<b>TOTAL INTL NARCOTICS</b>	146,702	131,829	213,000	100%

**FY 1994 - FY 1996**  
**NARCOTICS**  
**BUDGET SUMMARY BY FUNCTIONAL ACTIVITY**  
(DOLLARS IN THOUSANDS)

	<b>FY 1994</b>	<b>% OF</b>	<b>FY 1995</b>	<b>% OF</b>	<b>FY 1996</b>	<b>% OF</b>
	<b>Enacted</b>	<b>Total</b>	<b>Plan</b>	<b>Total</b>	<b>Request</b>	<b>Total</b>
Law Enforcement Assistance and Institution Development	57,797	39.4	56,769	43.1	69,500	32.6
Military Counternarcotics Support	10,667	7.3	12,829	9.7	30,000	14.1
Sustainable Development	35,400	24.1	14,000	10.6	47,000	22.1
Crop Control/Eradication	12,500	8.5	13,000	9.9	18,000	8.5
International Organizations	5,000	3.4	6,500	4.9	11,500	5.4
Drug Awareness/ Demand Reduction	4,370	3.0	5,731	4.3	8,000	3.8
Law Enforcement Training	5,500	3.7	7,000	5.3	11,500	5.4
Program Development and Support	15,468	10.5	16,000	12.1	17,500	8.2
<b>TOTAL NARCOTICS PROGRAMS</b>	<b>146,702</b>	<b>100</b>	<b>131,829</b>	<b>100</b>	<b>213,000</b>	<b>100</b>

2/24/95

## LEGISLATIVE BASIS FOR THE INCSR

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with §489 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2291).

The 1995 INCSR is the ninth annual report prepared pursuant to the FAA. In addition to addressing the reporting requirements of FAA §489, the INCSR provides the factual basis for the Presidential narcotics certification determinations for major drug producing and/or drug-transit countries required under FAA §490. FAA §490 requires that fifty percent of certain kinds of assistance be withheld at the start of each fiscal year from such countries, pending the President's March 1 certification determinations. If a country is not certified, most foreign assistance is cut off and the United States is required to vote against multilateral development bank lending to that country.

Among other things, the statute asks, with respect to each country that received INM assistance in the past two fiscal years, for a report on the extent to which the country has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances." FAA §489(a)(1)(A). Similarly, the President's certification determination depends in part on whether a country, during the previous year, has cooperated fully with the United States, or has taken adequate steps on its own, to achieve full compliance with the goals and objectives established by the 1988 UN Convention. FAA §490(b)(1)(A).

Although the Convention does not contain a list of goals and objectives, it does set forth a number of obligations that the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering, to control chemicals that can be used to process illicit drugs, and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to this evaluating performance under the 1988 UN Convention: illicit cultivation, production, distribution, sale, transport, and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries are meeting the goals and objectives of the 1988 UN Convention, the Department has used the best information it has available. The 1995 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to mini-states, where drug issues and/or the capacity to deal with them are minimal. The reports vary in the extent of their coverage. For key drug-control countries, where considerable information is available, we have provided comprehensive reports. For some smaller countries where only sketchy information is available, we have included whatever data the responsible post could provide.

The country chapters report upon actions, including plans, programs, and where applicable, timetables towards fulfillment of Convention obligations. Because the 1988 UN Convention's subject matter is so broad, and availability of information on elements related to performance under the Convention varies widely within and between countries, the Department's views on the extent to which a given country is meeting the goals and objectives of the Convention are based on the overall response of the country to those goals and objectives.

Some countries are not yet parties to the 1988 UN Convention. For such countries, we have nonetheless considered actions taken by those countries in areas covered by the Convention, and plans (if any) for becoming parties and for bringing their legislation into conformity with the Convention's requirements. For some of the very smallest countries, the Department has insufficient information to make a judgment as to whether the goals and objectives of the Convention are being met. In those instances, available information on counternarcotics activities has been provided.

Except as noted in the relevant country chapters, INL considers all countries with which the USG has bilateral narcotics agreements to be meeting the goals and objectives of those agreements.

As in the past, this year's INCSR provides the factual basis for the President's 1995 certification determinations made pursuant to FAA §490(b). It contains information in accordance with §489 of the FAA and §804 of the Trade Act of 1974, as amended.

#### **Statement on Certification**

FAA §490(b)(2) requires that, in making determinations regarding full certification, the President consider the extent to which each major drug producing or drug transit country has:

met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances including action on such issues as illicit cultivation, production, distribution, sale, transport and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction;

accomplished the goals described in an applicable bilateral narcotics agreement with the United States, or a multilateral agreement; and

taken legal and law enforcement measures to prevent and punish public corruption--especially by senior government officials--that facilitates the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances, or that discourages the investigation or prosecution or such acts.

The statute provides, alternatively, that a country that cannot be certified under the foregoing standard may be certified on the grounds that

"vital national interests of the United States require" that assistance be provided to and the United States not vote against multilateral development bank lending to such country. FAA §490(b)(1)(B).

**Major Drug Producing, Drug Transit, Significant Source, Precursor Chemical and Money Laundering Countries.**

Section 489(a)(3) requires the USG to identify: (A) major illicit drug producing and major drug transit countries, (B) major sources of precursor chemicals used in the production of illicit narcotics; and (C) major money laundering countries. These countries are identified below.

**Major Drug Producing and Drug Transit Countries:**

A major illicit drug producing country is one in which: (A) 1,000 hectares or more of illicit opium poppy are cultivated or harvested during a year; (B) 1,000 hectares or more of illicit coca are cultivated or harvested during a year; or (C) 5,000 hectares or more of illicit cannabis are cultivated or harvested during a year, unless the President determines that such illicit cannabis production does not significantly affect the United States. FAA §481(e)(2).

A major illicit drug transit country is one: (A) that is a significant direct source of illicit narcotic or psychotropic drugs or other controlled substances significantly affecting the United States; or (B) through which are transported such drugs or substances. FAA §481(e)(5).

The following are major drug producing and/or drug-transit countries  
Afghanistan, The Bahamas, Bolivia, Brazil, Burma, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Iran, Jamaica, Laos, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Syria, Taiwan, Thailand, Venezuela, and Vietnam.

**Major Precursor Chemical Source Countries:**

The following countries are major sources of precursor or essential chemicals used in the production of illicit narcotics: Argentina, Brazil, China, Germany, India, Mexico, and the Netherlands.

**Major Money Laundering Countries:**

A major money laundering country is one whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking. FAA §481(e)(7). The following countries fall into this category: Argentina, Aruba, Brazil, Canada, Cayman Islands, Colombia, Costa Rica, Ecuador, Germany, Hong Kong, India, Italy, Japan, Liechtenstein, Luxembourg, Mexico, the Netherlands, Netherland Antilles, Nigeria, Pakistan, Panama, Paraguay, Russia, Singapore, Spain, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom, Uruguay, United States, and Venezuela.

**INTERNATIONAL TRAINING**



## INTERNATIONAL TRAINING

International anti-narcotics training is managed and funded by INM, and carried out by DEA, the U.S. Customs Service, and the U.S. Coast Guard. Major objectives are: contributing to the basic infrastructure for carrying out counternarcotics law enforcement activities in countries which cooperate with the U.S.; improving technical skills of drug law enforcement personnel in these countries; and increasing cooperation between U.S. and foreign law enforcement officials.

Almost 6,200 persons participated in the U.S. Government's international narcotics control training program in FY 1994, an increase of about one-third over last year's total. Most of the increase in personnel trained can be traced to greater activity in the more specialized areas of counternarcotics expertise, such as carrier security, asset forfeiture and methods for combatting money laundering. The totals include persons trained by DEA using funding from the Department of Justice's Asset Forfeiture Fund.

INM training has become increasingly focused on encouraging foreign law enforcement agency self-sufficiency through infrastructure development. The effectiveness of our counternarcotics efforts overseas should be viewed in terms of what has been done to bring about establishment of effective host country enforcement institutions, thereby taking drugs out of circulation before they ever start their journey toward the U.S. U.S. law enforcement personnel stationed overseas are increasingly coming to see their prime responsibility as promoting the creation of host government systems which are compatible with and serve the same broad goals that ours do. Many U.S. Embassies and foreign governments commented during the course of the year on the benefits of INM-sponsored training, in terms of both the professionalizing effect it had on foreign law enforcement institutions, as well as increases in successful narcotics investigations and seizures.

During 1994, law enforcement training gave particular attention to the emerging problem of heroin trafficking and abuse. Programs were provided to opium production and transit countries where USG access has improved recently (e.g., China, Vietnam, Cambodia and the Central Asian republics). Another area of focus was in the countries of the Newly Independent States. INM training has paved the way for a much broader program of USG law enforcement assistance now being carried out with the NIS.

INM-funded training will continue to support the major U.S. and international strategies for combatting narcotics trafficking worldwide. Emphasis will be given to promoting training on a regional basis, and to contributing to the activities of international organizations, such as the UNDCP and the OAS. Through the meetings of major donors, the Dublin Group, UNDCP and other international fora, we will coordinate with other providers of training, and urge them to shoulder greater responsibility in providing training which serves their particular strategic interests.

Programs dealing with financial crimes (i.e., methods for promoting asset seizure and combatting money laundering) will continue to expand. INM will maintain its role of coordinating the activities of Washington agencies in response to assistance requests from U.S. Embassies. This will avoid duplication of effort, and ensure that presentations represent the full range of U.S. Government policies and procedures.

### TRAINING STATISTICS

	Number of Participants	Number of Programs
<b>Drug Enforcement Administration</b>		
Training in U.S.:		
Executive Observation Programs	8	2
International Visitors Program	470	96
Forensic Chemist Seminar	20	1
Int'l Narcotics Mgt. Seminar	32	1
Training in Host Countries:		
In-Country Drug Enforcement Seminar	398	12
Advanced Enforcement Seminar	291	9
Other 1,156	28	
Subtotal:	2,375	149
<b>U.S. Customs Service</b>		
Training in U.S.:		
Executive Observation Programs	6	3
International Visitor Program	265	104
Mid-Management Seminar	65	3
Training in Host Countries:		
Overseas Enforcement Training	693	26
Contraband Enforcement Team	101	3
Train-the-Trainer Workshop	154	12
Money Laundering	490	5
Carrier Initiative Training	1,379	25
Subtotal 3,153	181	
<b>U.S. Coast Guard</b>		
Maritime Law Enforcement	594	24
<b>Other INM-Sponsored Training</b>		
Narcotics Detector Dog Training	65	9
<b>TOTAL INM TRAINING FY 94</b>	<b>6,187</b>	<b>363</b>

## **OTHER US ASSISTANCE PROVIDED**

Section 489 (b)(2)(B) requires the INCSR submission to include a report specifying the assistance provided by the United States to support international narcotics control efforts. In addition to the budget for INM, which is provided in the Executive Summary, the report is also to include information on assistance provided or to be provided by the Drug Enforcement Administration, the U.S. Customs Service, and the U.S. Coast Guard to various countries, and information on any assistance provided or to be provided by such governments to those agencies. This information has been prepared by the three agencies and is provided in this section.

### **DRUG ENFORCEMENT ADMINISTRATION**

The preeminent responsibility of the Drug Enforcement Administration (DEA) is to reduce and ultimately minimize the impact posed by illicit drugs to our nation. All cocaine and heroin as well as some marijuana and other dangerous drugs are produced outside the U.S. and smuggled from the sources of production, through other countries, to the U.S. Therefore, the reduction of illicit drug availability in the U.S. requires a strong international counternarcotics strategy. In cooperation and coordination with other nations, as well as other U.S. agencies, we strive to concurrently suppress illicit drug production; disrupt the availability of these drugs in the distribution chain; arrest and prosecute those involved in any aspect of illegal drug trafficking; and seize their profits and assets.

The primary contribution of DEA in implementing our international counternarcotics strategy is accomplished through the 72 offices that DEA maintains in 50 countries worldwide. The DEA overseas mission is fivefold:

- (1) Conduct bilateral investigative activities,
- (2) Coordinate intelligence gathering,
- (3) Engage in foreign liaison,
- (4) Coordinate training programs for host country police agencies, and
- (5) Assist in the development of host country drug law enforcement institutions.

In most countries where DEA maintains offices, DEA carries out all of the above functions with emphasis determined on the basis of the conditions existing in each country. In a few cases, where the level of drug trafficking is minimal, or the Host Nation's drug enforcement system is advanced, DEA Country Office may limit its function to selected activities instead of the full range of programs indicated above.

With the exception of DEA's training mission which is addressed elsewhere, the following are a few examples of the assistance DEA provided host nation counterparts in furtherance of our mission during 1994:

(1) Bilateral Investigations:

DEA's Country Offices work with elements of the Host Nations (HN) Law Enforcement Agencies (LEA) to investigate activities of drug traffickers that lead to indictments and prosecutions in either the host country, the U.S. or a third country. Whenever appropriate and feasible, intelligence information on major traffickers operating in host countries is shared with HN LEAs to enhance their investigative knowledge. Some examples of DEA's work with HN law enforcement agencies follow:

In Mexico, for instance, the operational and tactical intelligence in Northern Border Response Force operations is passed to the Center for Mexican Drug Control Planning (CENDRO) for immediate action resulting in many seizures and arrests. DEA's successful efforts in Mexico are due largely to its effective cooperation with the Mexican authorities.

In Thailand, DEA initiated Operation Tiger Trap in support of the U.S. Embassy Country Team counternarcotics aim to increase the Thai Government's focus on drug trafficking as a national security issue. Operation Tiger Trap is the most significant U.S. and Thai cooperative enforcement and prosecution effort directed at the hierarchy of the Shan United Army (SUA). The goal of Operation Tiger Trap was to reduce the heroin supply to the United States by disrupting SUA heroin trafficking operations in Thailand. Operation Tiger Trap included joint cooperative efforts from the Royal Thai Government, Department of Defense, Joint Interagency Task Force-West, Department of State, Department of Justice, Office of the U.S. Attorney Eastern District of New York (EDNY), Immigration and Naturalization Service, U.S. intelligence community, and DEA offices in Hong Kong and New York as well as Bangkok. This operation resulted in the capture of ten of the most persistent and highest-level SUA heroin traffickers operating out of Thailand. All ten who average approximately twenty years in the heroin trade, are the subject of indictments in the United States and are pending extradition.

In March 1994, the Colombian National Police, with support from DEA, successfully raided eight field offices of the Holanda Chemicals International (HCI) company and seized 1,754 metric tons of essential chemicals. Prior to this bilateral operation, HCI was one of Colombia's most important suppliers of essential chemicals. To date, this remains the largest seizure of essential chemicals in history. DEA's Bogota Country Office estimates that some 136 metric tons of cocaine could have been produced with these essential chemicals. As a result of this enforcement action, HCI has agreed to discontinue exports of acetone, MEK, and isopropyl acetate to all Latin American countries.

Singapore and Hong Kong have taken the lead in the financial investigation of Sino-Asian heroin financiers and suppliers in coordination with DEA. Recent initiatives have targeted the Chinese underground remittance system, which operates worldwide from the region. DEA is continuing its bilateral cooperation with the LEAs in all Southeast Asian countries.

Spanish and Italian police have participated with DEA in Operation Dinero, aimed at penetrating the Cali Cartel's money-laundering activities in Italy and Spain. Operation Dinero resulted in the seizure of over \$800,000.00 and 5,400 kilograms of cocaine. The operation also led to the arrest, in Madrid, of Claudio LOCATELLI, the principal figure in Operation Dinero, and his extradition to Italy.

(2) Coordinate Intelligence Gathering:

In January 1994, as a result of the cooperative effort of Peruvian and Colombian authorities and DEA, Demetrio CHAVEZ-Penaherrera, aka VATICANO, was arrested in Cali, Colombia, and subsequently expelled to Peru. VATICANO was considered the top Peruvian drug trafficker and a major cocaine base supplier to the Cali Cartel in Colombia.

In Turkey, Operation Kulak supports international efforts to collect information on all aspects of drug organizations. This has resulted in the seizure of two operational heroin laboratories near Istanbul. DEA provided the necessary technical and operational expertise to this operation which is currently being expanded.

In Colombia, DEA Special Agent advisors participating in Operation Double King provided 26 target packages for the Colombian National Police (CNP) resulting in multi-ton seizures of cocaine HCL and marijuana. One operation referred to as PUMA netted 5.6 metric tons of cocaine HCL. Another intelligence gathering operation resulted in the seizure of 1.2 metric tons of cocaine HCL in Miami. Similarly, DEA provided intelligence to the Bolivian and Peruvian National Police which resulted in the seizure of large quantities of cocaine base and the destruction of several cocaine base laboratories.

Acting on intelligence information from the DEA Lagos Country Office (LCO), the Nigerian National Drug Law Enforcement Agency (NDLEA), in concert with the military and police, arrested fugitive John Okpala and others in Lagos. On the request of the LCO, Nigeria is in the process of extraditing John Okpala and others to the U.S. John Okpala is considered a heroin Kingpin in Nigeria.

Under Operation Ladin, a DEA initiated intelligence program, Syrian and Lebanese authorities mounted a large eradication operation during the past year. Beginning in 1994, in addition to seizing drug crops and eradicating cannabis and opium poppy fields, authorities jailed and fined drug farmers. The institution of punishment against drug farmers was a major factor in the success of the 1994 Syrian and Lebanese eradication operation.

On June 5, 1994, acting on intelligence provided by DEA, Brazilian police raided a ranch in Tocantins, Brazil and arrested Vicente Wilson RIVERA Ramos, a documented chemical trafficker and money launderer.

During the raid, police seized 7.3 metric tons of cocaine. It is Brazil's largest cocaine seizure ever. In addition to the 7.3 metric ton seizure, police seized arms and ammunition, the ranch, communications equipment, approximately \$10,000 USD in local and US currency, two trucks, a tractor, and a twin-engine airplane. On August 26, 1994, RIVERA was sentenced to serve 14 years and eight months of prison in Brazil.

(3) Engage in Foreign Liaison:

With the initiative, assistance and participation of the DEA Cairo Country Office, for the first time ever, the Egyptian Anti-Narcotics General Administration and the Drug Unit of the Israeli National Police established direct liaison contact. Discussions covered a review of cross border drug trafficking in the region, the impact of the turnover of Gaza and Jericho on the drug situation and plans for future contact cooperation.

The Bonn Country Office has initiated Operation Polska which develops sources of information and maintains liaison with Polish counterparts concerning the transshipment and distribution of illicit drugs in and through Poland's two primary seaports. Another phase of the operation will gather intelligence on the Russian Mafia and what part they play in controlling Polish port facilities. One result of this operation was the seizure of 518 kilograms of cocaine at Gdynia, Poland.

Recently an electronic mail system came on-line linking DEA Headquarters Chemical Operations Section and the Commission of the European Union (EU) in Brussels, Belgium. The primary purpose of this system is to allow DEA and EU counterparts to share real-time information on suspect chemical shipments and chemical diversion investigations that affect U.S. and/or European interests.

DEA Istanbul working in conjunction with the Narcotic Section of the Turkish National Police in Istanbul, Turkey and the Chief Coroner for the Beyoglu District of Istanbul, Turkey initiated and developed a Demand Reduction Program for presentation to secondary school students in the Istanbul area. The program has been presented to over 2000 students since the initial development and has been accepted by the public school system in Istanbul.

The DEA Office of Diversion Control Officials visited key Latin American and European nations to promote effective international and national controls on precursor and essential chemicals. The focus of these efforts was to prevent the diversion of cocaine essential chemicals into the Andean region and to prevent the diversion of ephedrine, a methamphetamine precursor, into Mexico. This ephedrine is being smuggled into the U.S. and is also being used to produce methamphetamine in Mexico for the U.S. illicit market.

In July, 1994 DEA's Office of Diversion Control hosted a conference in San Jose, Costa Rica, attended by 12 Latin American nations, to examine the problems and progress in the attack on chemical diversion in the Western Hemisphere. One of the main goals of the conference was to promote regional cooperation in investigations and in intelligence sharing.

The conference produced a statement of findings and declarations which called upon governments to fully investigate prospective imports and exports, delay questionable shipments, and fully cooperate with control and enforcement authorities from other nations.

Under the sponsorship of DEA, in April 1994, senior drug law enforcement officials from 26 countries of the Western Hemisphere, met at the 12th annual International Drug Enforcement Conference (IDEC XIII) in Quito, Ecuador. The conferees adopted a number of initiatives designed to promote coordinated operations among IDEC members. One such operation, "Operation Border Crunch", conducted by seven South American Countries in the fall of 1994, demonstrated the viability of multinational operations by stemming the flow of cocaine precursor chemicals to Bolivia.

4) Coordinate Training Programs for Host Country Police Agencies:

Addressed in the International Training Section

(5) Assist in the Development of Host Country Drug Law Enforcement Institutions:

DEA continues to support the development of HN's law enforcement intelligence activities. The Joint Information Coordination Centers (JICC), sponsored by INM and coordinated by DEA, continue to improve HN's operations. For instance, the JICCs have established computer and communications network with Central American and Caribbean countries' enforcement agencies.

With the support of DEA, the Government of Bolivia (GOB) Special Forces in the Fight against Narcotics (FELCN) initiated Operation New Awakening, a broad enforcement operation designed to close all air, land and marine routes leading out of the Chapare and to reassert GOB control over that region. The operation employed over 700 law enforcement and military personnel from the UMOPAR (rural police) and National Police, Bolivian Air Force (Red Devil Task Force), Bolivian Navy (Blue Devil Task Force), and the Bolivian Army (Green Devil Task Force).

Operation New Awakening was successful in disrupting the entry of buyers into the Chapare and the shipment of drugs from the region. It had the additional objective of curtailing the flow of precursor chemicals from the Cochabamba area to the Chapare region. Throughout the operation, intelligence sources reported a significant reduction in precursor chemical trafficking and the stockpiling of chemicals. One particular enforcement operation highlights the success of Operation New Awakening. On July 28, 1994, the FELCN/UMOPAR seized over three tons of precursor chemicals. Operation New Awakening also forced the Chapare coca markets to effectively shut down during the course of the operation.

In Thailand, DEA is working closely with the Thai authorities to establish three multi-Thai agency task forces. The task forces will bring together, at each location, elements of three Thai law enforcement and intelligence agencies. The task forces will enhance intelligence access and exchange among the three Thai agencies, and thus increase their enforcement capacities.

It should be noted that the investigative process in most South American countries is hampered by the fact that their legal systems do not permit enforcement authorities to use informants, undercover agents, and other investigative methods. Legislative reform is needed in this area. Some recent developments however, are encouraging:

(a) The DEA Buenos Aires Country Office was instrumental in assisting the Argentine Government. As a result, Argentina has recently enacted new legislation that permits the use of the above mentioned techniques, thereby empowering their police and prosecutors with the tools they need to be effective.

(b) Chile is close to approving similar legislation empowering law enforcement authorities to use these investigative tools in pursuit of drug traffickers.

(c) Upon urging by DEA, many other South and Central American governments have identified the need for stronger, modern laws geared toward drug law enforcement.

In 1994, Finland initiated a new law which is designed to combat money laundering. Although the law is not as comprehensive as the American version, it will give Finnish authorities power to act on a variety of illegal money transactions derived from criminal acts. DEA's seminar on asset forfeiture and money laundering, held in Copenhagen in 1993, was instrumental in providing Finnish officials with the basis to initiate this legislation.

In 1994, DEA Country Attaches in Pakistan and India assisted International Narcotic Matters, Department of State, in negotiating meetings between Pakistani and Indian law enforcement officers for the purpose of planning enforcement strategies to develop a working relationship on narcotic enforcement issues. Another purpose was to develop methods and guidelines by which the two governments can collaborate on international narcotic enforcement and investigative issues. Investigative issues would include border crossings, interdiction and follow-up investigations and cooperation.

In the fall of 1994, DEA's Office of Diversion Control, in conjunction with the European Commission, hosted a drug and chemical diversion control conference in Salzburg, Austria for policy officials of the Commonwealth of Independent States. This conference continued the diversion control liaison effort established in 1992 with a DEA conference for East European officials held in Poland. Both conferences sought to establish on-going dialogue with these national authorities, and to provide guidance and assistance in developing legal and administrative infrastructures which will enable these governments to deter, combat and prevent drug problems of the magnitude experienced in countries of the West.

In 1994, in conjunction with police forces of the Bahamas and Turks and Caicos, DEA and other U.S. agencies, continued support of Operation Bahamas Turks and Caicos (OPBAT). OPBAT was designed to address widespread cocaine smuggling through this region into southern Florida. Over a twelve year period OPBAT has accounted for the seizure of 58,495 kilograms of cocaine and 316,192 kilograms of marijuana. OPBAT continues as an effective deterrent to smuggling through this region.

## TRANSFERS TO FOREIGN COUNTRIES

Name of Case or Investigation	Total Amount Forfeited in US	Recipient Country	Amount of Transfer	Transfer Date
In Re Seizure \$11,220 DEA Case Number GZ90-0048 (US v. Bacha, E.D. Va)	\$11,220.00	Hungary	\$8,415.40	2/24/94
US v Fernandez (MD Florida)	\$1,212,509.80	Switzerland	\$606,254.90	3/7/94
US v. Kubosh (ND Texas)	\$1,057,432.42	Cayman Islands	\$422,387.87	4/19/94
US v Reyes Torres (D co)	\$664,685.74	Ecuador	\$330,316.90	4/25/94
In Re Seizure Number 132052 (So. NY)	\$47,500.00	Romania	\$23,700.00	7/15/94
In Re Seizure Number 107783 (V. Islands)	\$61,500.00	Netherlands Antilles	\$20,500.00	8/8/94
In Re Seizure Number 130937 (EDMI)	\$150,120.00	Bahamas	\$56,323.00	9/20/94

## UNITED STATES CUSTOMS SERVICE

International drug interdiction training is a vital segment of the activities, interests, and mission of the U.S. Customs Service. Training is funded and approved by the Department of State and provided to drug control agencies with an interdiction responsibility in countries considered significant to U.S. control enforcement efforts.

During FY 1994, 61 programs (excluding International Visitor) were conducted or coordinated involving 2,888 participants in 51 countries. This annual schedule included 3 Executive Observation Programs (EOP), 24 Overseas Enforcement Training (OET) programs for individual countries; 2 Regional Overseas Enforcement Training (ROET) programs for two or more countries; 12 Train-the-Trainer Workshops (T3W), in many cases linked to OET or Regional OET programs; 3 Contraband Enforcement Team (CET) Training programs - 2 with 3 separate phases; 3 Mid-Management Seminars (MMS); 5 Money Laundering Seminars (MLS); and 7 Short-Term Advisory (STA) projects. It should be noted that 32 of the above programs were of the institution building type and contributed to a greater degree of self-sufficiency on the part of the target countries.

In addition to the normal schedule of International Narcotics Control Training programs conducted under the Bureau for International Narcotics Matters auspices, U.S. Customs has carried out a number of narcotics control projects which are in response to high priority concerns, have required considerable development efforts or have made use of funding outside of the annual INM allocation. Among these undertaking are the following:

- \* The development of a video training program, "Arrest Techniques," which concerns safety practices required for making arrests. This program is unique in that it is designed especially for foreign drug control officers.
- \* Training programs supported and funded by American Embassies in Jamaica and Grenada. The Jamaica program was a Train-the-Trainer Workshop for the Port Security Corps, and the Grenada program combined enforcement and management development training, with an emphasis on internal controls and integrity awareness. Additionally, an extensive operational practical exercise on intensive container profiling and examination was conducted at six port locations at the close of the Venezuela CET program. Post funding was utilized to conduct special drug interdiction training for international air and sea carriers at two locations in Brazil.
- \* USAID funding was utilized to conduct a combined OET and T3W in Macedonia and RT3W for the Baltic States.
- \* OAS funding was utilized to conduct a T3W for the Peruvian Customs Service.

- \* Short Term Advisory Assistance was made available in Jordan to assist with border controls during the recent Israel-Jordan peace treaty meetings and to Turkish Customs in strengthening their operations and instruction at their training academy. The former assistance was completed in FY 1994 and utilized specially provided funding from DOS.

FY 1994 was the fourth year in which the Bureau for International Narcotics Matters has funded training in narcotics security techniques provided by U.S. Customs to managers and employees of commercial transportation companies under the Carrier Initiative Program (CIP). During FY 1994, CIP training was presented to 1,379 employees in 25 programs. These programs were offered in nine countries: Brazil, Chile, Ecuador, Guatemala, Jamaica, Mexico, Pakistan, Trinidad, and Turkey.

Particularly noteworthy in assessing the past year's program are the significant seizures and creations of new drug squads that were reported and are attributed directly to our training programs. For example:

1. Measurable Results: As the result of an OET program conducted in Kazakhstan in September 1994, the post reported, "we can observe that cases of drug seizures have increased over the last three months. One of the reasons for this is the information which our officers received during the international seminar which was conducted by U.S. Customs specialists..."
2. Measurable Results: Largely due to the institution building effect of the STA in Guatemala and a previous Contraband Enforcement Team Training Program held in February 1994, an impressive drug seizure of 266 kilos of cocaine was made by the Guatemala Cargo Inspection Unit in Port Santa Tomas. The Embassy credits and thanks U.S. Customs for the hard work that has produced an effective and professional inspection unit that has made this significant seizure.

Our international training efforts have, as in the past, also emphasized cooperation with other U.S. Government drug enforcement agencies, other nations, and international bodies. U.S. Customs participation in providing the lead instructor in a Customs Cooperation Council, now the World Customs Organization, funded management development school in Russia is representative of the importance we place on this cooperation. In addition we have established an extensive network of drug control liaison contacts in a number of major donor countries. These contacts have enabled us to avoid duplication of training and improved cooperation on joint projects.

In FY 1994, the U.S. Customs Service shared financial assets on four occasions:

Government of Nicaragua	58,586.32
Royal Canadian Mounted Police	116,685.44
Vancouver, Canada Police Department	134,498.38
Technical Judicial Police of Panama	39,970.78
<b>TOTAL</b>	<b>349,740.92</b>

### TRAINING STATISTICS

#### U.S. Customs Service

	<u>Participants</u>	<u>Programs</u>
Training in the U.S.:		
Executive Observation Program	6	3
International Visitor Program	265	104
Mid-Management Seminar	65	3
Training in host countries:		
Overseas Enforcement Training	693	26
Contraband Enforcement Team	101	5
Train-the-Trainer Workshop	154	12
Money Laundering Seminar	490	5
Carrier Initiative Program	1,379	25
SUBTOTAL:	3,153	183

**INCSR Report (FY-94/95/96)**

**UNITED STATES COAST GUARD**

**Training**

Subject to State Department approval and funding, and in response to foreign government requests for assistance, the USCG deploys mobile training teams (MTTs) to source and transit countries to improve law enforcement (LE) skills of indigenous maritime police forces.

Most short-term LE MTTs consist of three or four personnel who conduct classroom and hands-on maritime LE instruction to foreign maritime LE authorities for one or two weeks at a time. In FY 1994, MTTs provided their unique training to 762 foreign nationals in 23 countries. This training features basic maritime LE procedures, equipment maintenance, and "train the trainer" courses.

When longer-term presence is warranted, the Coast Guard's International Maritime Law Enforcement Team (IMLET) deploys personnel for several months at a time to train international LE authorities (mostly in Latin America) in coastal and waterway counter-drug (CD) law enforcement. IMLET continues to support the Waterways Law Enforcement (WLE) program, a US Government initiative to disrupt the cocaine supply at its source. Throughout FY 94, IMLET maintained a continuous 3-5 person team presence in Bolivia for WLE training. In addition, one IMLET officer is continuously assigned to the US Military Group in Colombia to provide guidance and assistance for the development of the the Colombian Coast guard. In 1994, interagency Memoranda of Agreement (MOAs) concerning the use of Coast Guard personnel for training in Bolivia and Panama was formalized. These MOAs allow IMLET personnel to accompany host nation personnel on operations in order to evaluate the results of USG training efforts. When deployed, IMLET personnel are under the control of the US Chief of Mission.

The USCG conducts foreign shiprider and classroom exchanges, participates in the US Navy UNITAS (South/Central America) and WATC (West Africa) combined exercise programs, conducts extended foreign port visits in Mexico and Caribbean basin countries, and hosts foreign maritime LE personnel at USCG facilities in order to train and familiarize foreign officials in maritime counter-drug tactics.

Once a year, a Coast Guard medium endurance cutter, equipped with a helicopter and accompanied by a Coast Guard patrol boat, conducts combined LE exercises/operations and training with several nations in the Lesser Antilles. This is known as Operation TRADEWINDS. It involves on-the-job training and hands-on law enforcement experience. The result is that these nations normally increase their own counter-drug efforts and are better able to conduct combined counter-drug operations with the Coast Guard.

## **Combined Operations**

In November 1993, a DOS letter to the British Embassy formalized the concept of deploying USCG Law Enforcement Detachments (LEDETS) aboard Royal Navy vessels in the Caribbean. This allows for a significant counter-drug force multiplier in the Caribbean, particularly in the areas of British national interest (Belize and the Windward Islands). Additionally, the USCG and DOS are currently evaluating the possibility of reaching an agreement for a similar concept of operations with Royal Netherlands Navy vessels operating in the Caribbean. Two trial deployments were conducted in October and November 1994, with more scheduled for 1995. Such deployments provide an expanded law enforcement presence in the Netherlands Antilles and Aruba.

The USCG conducts combined operations with Caribbean basin and Latin American countries to assist and further develop indigenous interdiction forces. Combined operations with foreign maritime interdiction forces result in on-the-job-training for both the foreign forces and USCG personnel.

Combined operations have lead to bilateral agreements which facilitate counter-drug operations. Types of agreements include overflight authority for USCG surveillance aircraft, permission to enter foreign territorial waters to carry out enforcement actions, shiprider agreements to facilitate coordination between forces, and shipboarding agreements to streamline the diplomatic communication necessary to board foreign flagged vessels.

An example is the agreement that established Operation Bahamas and Turks and Caicos (OPBAT). TOPBAT is a multi-agency, multi-national law enforcement operation supporting US and Bahamian counternarcotics efforts in the The Bahamas and the Turks and Caicos Islands. OPBAT will continue to be an important part of the 1995 National Drug Control Strategy's international focus of interdiction in the transit country.

In addition to combined operations, the USCG conducts coincidental operations with the Mexican Navy in the Pacific as well as in the Gulf of Mexico. During coincidental operations, USCG and Mexican Naval assets operate simultaneously (as opposed to operating jointly) and exchange on-scene information which may assist in the interdiction of drug traffickers. Through these operations, communications between the USCG and the Mexican Navy has significantly improved to such a level that arrangements are being pursued for a Mexican naval officer to be assigned as a liaison officer to USCG command centers in Los Angeles and New Orleans.

## **Other Activities**

The USCG conducts other activities abroad that, though not necessarily funded by the Department of State, directly or indirectly benefit international narcotics control efforts. The USCG maintains the ability to transfer decommissioned patrol boats to Caribbean and Latin American nations, and does so whenever possible. For instance, the USCG decommissioned the 180 foot medium endurance cutter CITRUS and transferred it to the Mexican Navy. USCG personnel are permanently stationed in several American Embassies located in source and transit countries. These USCG positions are sponsored by various U.S programs. Officers are posted in Antigua, the Bahamas, Panama, Costa Rica, Haiti, Jamaica, Mexico, Colombia, Bolivia and Venezuela.

In addition, the USCG often hosts various foreign dignitary visits to USCG training facilities and operational units. In FY 1994, the USCG hosted 145 delegations from 59 nations. The nature of these visits varied, but most were a general USCG familiarization and provided an overview of all USCG missions, including counternarcotics.

## United States Coast Guard Assistance

Country	Assistance	USCG UNIT	Dates	Cost	Fund Source	
FY 1994						
Argentina	MLE Training	UNITAS-Detach		(a)	USCG	
	MLE Training	MTT	15-26 Aug 94	(b)	INL	
Bahamas	MLE Ops	OPBAT	All year	\$9,792,000	USCG	
	MLE Ops	WPB/RBDF	Variable	\$1,000	USCG	
	SEABAT/MLE Ops	WMEC/RBPF	14-29 Jun 94	Costs incurred during		
			20-24 Jul 94	normal operations		
Belize	MLE Ops/Training	D7 Taclet	8-17 Aug 94	\$18,300	USCG	
	MLE Ops	LEDET/RW WIOS	16-18 Mar 94	N/A See United Kingdom		
Bolivia	WLE School	IMLET	All Year	\$90,000	NAS	
	MLE Training	MTT	4-8 Apr	(b)	INL	
	MLE Training	MTT	2-6 May 94	(b)	INL	
	Site Visit	IMLET	Apr and Aug 94	\$2,500	USCG	
Brazil	MLE Training	UNITAS-Detach		(a)	USCG	
Chile	MLE Training	UNITAS-Detach		(a)	USCG	
Colombia	COLCG	IMLET	All Year	\$40,000	FMS	
	OP VISTA/MLE Tra	WMEC/IMLET	26 Oct-2 Nov 93	\$7,500	USCG	
	OP VISTA/MLE Tra	WMEC/IMLET	25-31 Mar 94	\$7,500	USCG	
	OP VISTA/MLE Tra	WMEC/IMLET	31 Jul-6 Aug 94	\$7,500	USCG	
	MLE Training	MTT	2-10 Apr 9	(b)(c)	INL/IMET	
	MLE Training	MTT	26 Aug - 3 Sep 94	(b)	INL	
	MLE Training	UNITAS Cutter		(d)	USCG	
	MLE Training	UNITAS-Detach		(a)	USCG	
	Dominican Republic	MLE Training	MTT	14-16 Mar 94	(b)(c)	INL/IMET
		MLE Ops/Training	WHEC/WPB/ACFT			USCG
Eastern Caribbean	OP TRADEWINDS/Tra	WMEC	24 Mar -8 May 94		DOD	
	MLE Training	MTT	16-27 May 94	(b)	INL	
Ecuador	MLE Training	UNITAS Cutter		(d)	USCG	
	MLE Training	UNITAS-Detach		(a)	USCG	
El Salvador	Security Training	IMLET	Jun-94	\$5,000	DOD	
	MLE Training	MTT	12-16 Sep 94	(c)	IMET	
Estonia	MLE Training	MTT	13-17 Jun 94	(c)	IMET	
Guatemala	OP VISTA/MLE Tra	WMEC/MTT	16-23 Jul 94	\$3,000	USCG	
Honduras	MLE Training	MTT	7-18 Mar 94	(b)	INL	
	Security Training	IMLET	Jun-94	\$5,000	DOD	
Indonesia	MLE Training	MTT	4-17 Jun 94	(b)	INL	
Mexico	MLE Training	MTT	24 Jan-4 Feb 94	(b)	INL	
	MLE Training	MTT	13-25 Jun 94	(b)	INL	
	Coin OPS-PACAREA	WHEC/WPB/ACFT	Feb-94	\$19,000	USCG	
	Coin OPS_GOMEX	WHEC/WPB/ACFT	My 94	\$10,000	USCG	
Morocco	MLE Training	MTT	19-23 Sep 94	(c)	IMET	
Netherlands	MLE Ops	LEDET/RNLN	11-18 Sep 94	\$2,000	USCG	
Panama	MLE Training	IMLET	All Year	\$90,000	NAS	

## United States Coast Guard Assistance

Country	Assistance	USCG UNIT	Dates	Cost	Fund Source
	Site Visit	IMLET	Apr and Aug 94	\$2,500	USCG
	OP VISTA/MLE Ops	WMEC/IMLET	19-25 Oct 93	\$2,500	USCG
	OP VISTA/MLE Ops	WMEC/IMLET	4-14 Apr 94	\$2,500	USCG
	OP VISTA/MLE Ops	WMEC/IMLET	26-30 Jul 94	\$2,500	USCG
Paraguay	MLE Training	UNITAS-Detach			
Peru	MLE Training	MTT	7-31 Mar 94	(b)	INL
	MLE Training	UNITAS-Cutter		(d)	USCG
	MLE Training	UNITAS-Detach		(a)	USCG
Philippines	MLE Training	MTT	14-28 Jul 94	(b)	INL
Poland	MLE Training	MTT	20-24 Jun 94	(c)	IMET
Turkey	MLE Training	MTT	8-12 Aug 94	(b)	INL
Ukraine	MLE Training	MTT	15-26 Aug 94	(b)	INL
United Kingdom	MLE Ops	LEDET/WIGS	27 Sep - 25 Oct 93	\$4,468	USCG
	MLE Ops	LEDET/WIGS	18 Nov - 15 Dec 93	\$12,000	USCG
	MLE Ops	LEDET/WIGS	14 Mar - 7 Apr 94	\$10,500	USCG
	MLE Ops	LEDET/WIGS	15 Apr - 13 May 94	\$7,030	USCG
	MLE Ops	LEDET/WIGS	2-28 Jul 94	\$8,115	USCG
Uruguay	MLE Training	UNITAS-Detach		(a)	USCG
	MLE Training	MTT	27 Jun-7 Jul 94	(b)	INL
Venezuela	MLE Training	UNITAS-Detach		(a)	USCG

Note (a) Detachment deployed Jul -Nov 94 for MLE and SAR Training. Cost: \$110,000.

Note (b) Total amount expended on INL MTTs is \$287,000.

Note (c) Total amount expended on Security Assistance/IMET drug-related MTTs is \$40,135.

Note (d) WMEC deployed Oct-Nov 94 for MLE, SAR, and Professional Exchanges. Cost: \$35,000.

### FY 1995

Argentina	MLE Training	UNITAS-Detach		(a)	
Bahamas	MLE Ops	OPBAT	All year	\$9,792,000	USCG
	MLE Training	MTT	TBD	(c)	
	MLE Ops	WPB/RBDF	Variable	\$1,000	USCG
Belize	OP VISTA/MLE Ops	WMEC/IMLET	Dec-94	\$5,000	USCG
	MLE Ops/Training	LEDET/RN WIGE	Mar-95	See UK	
	MLE Ops/Training	D7 TACLET	TBD		USCG
Bolivia	WLE School	IMLET	All year	\$90,000	NAS
	Site Visit	IMLET	4 qtrs	\$6,000	USCG
Brazil	MLE Training	UNITAS-Detach		(a)	
Chile	MLE Training	UNITAS-Detach		(a)	
China	MLE Training	MTT	TBD	(c)	
Colombia	COLCG	IMLET	All year	\$40,000	FMS
	Site Visit	IMLET	4 qtrs	\$6,000	USCG
	OPVISTA/MLE Tra	WMEC/IMLET	3 qtrs	\$22,500	USCG
	MLE Training	UNITAS-Cutter		(b)	
	MLE Training	UNITAS-Detach		(a)	

## United States Coast Guard Assistance

Country	Assistance	USCG UNIT	Dates	Cost	Fund Source
Dominican Republic	MLE Training	MTT	TBD	(c)	
Eastern Caribbean	OPTRADEWINDS/Tra	WMEC/WPB/ACFT	Spring 95		DOD
	MLE Training	MTT	TBD	(c)	
Ecuador	MLE Training	UNITAS-Detach		(a)	
	MLE Training	UNITAS-Cutter		(b)	
El Salvador	Security Training	IMLET	Summer 95	\$5,000	
	MLE Training	MTT	TBD	(c)	
Guatemala	MLE Training	MTT	TBD	(c)	
Honduras	Security Training	IMLET	Summer 95	\$5,000	DOD
	OP VISTA/MLE Tra	WMEC/IMLET	Dec-94	\$5,000	USCG
	MLE Training	MTT	TBD	(c)	
Hong Kong	MLE Training	MTT	TBD	(c)	
India	MLE Training	MTT	TBD	(c)	
Indonesia	MLE Training	MTT	TBD	(c)	
Jamaica	MLE Training	MTT	TBD	(c)	
Latvia	MLE Training	MTT	TBD	(c)	
Mexico	Coinops GOMEX	WMEC/WPB/ACFT	2 per year	\$24,000	USCG
	Coinops PACAREA	WMEC/WPB/ACFT	3 per year	\$39,000	USCG
	MLE Training	MTT	TBD	(c)	
Morocco	MLE Training	MTT	TBD	(c)	
Netherlands	MLE Ops	LEDET/RNLN	5 months/year	\$30,000	USCG
Panama	MLE Training	IMLETT	All year	\$90,000	NAS
	Site Visit	IMLETT	4 qtrs	\$6,000	USCG
	OP VISTA/MLE Ops	WMEC/IMLET	3 qtrs	\$7,500	
Paraguay	MLE Training	UNITAS-Detach		(a)	
Peru	MLE Training	UNITAS-Detach		(a)	
	MLE Training	UNITAS-Cutter		(b)	
	MLE Training	MTT	TBD	(c)	
Philippines	MLE Training	MTT	TBD	(c)	
Romania	MLE Training	MTT	TBD	(c)	
Russia	MLE Training	MTT	TBD	(c)	
Suriname	MLE Training	MTT	TBD	(c)	
Trinidad	MLE Training	MTT	TBD	(c)	
Turkey	MLE Training	MTT	TBD	(c)	
Ukraine	MLE Training	MTT	TBD	(c)	
United Kingdom	MLE Ops	LEDET/WIGS	6 months/year	\$48,000	USCG
Uruguay	MLE Training	UNITAS-Detach		(a)	
	MLE Training	MTT	TBD	(c)	
Venezuela	MLE Training	UNITAS-Detach		(a)	
		MTT	TBD	(c)	

Note (a) Detachment deploys five to six months for MLE and SAR training. Cost: \$110,000

Note (b) WMEC deploys one to months for Professional Exchanges. Cost: \$35,000.

Note (c) Training to be funded by INL/IMET. Dates to be determined. Duration: 1-2 weeks.

# **SOUTH AMERICA**



## ARGENTINA

### I. Summary

Argentina faces increasing problems with illegal narcotics. There is little cultivation or production of illicit drugs, but there is increasing transshipment through Argentina and growing domestic consumption.

The government is firmly opposed to drug trafficking and to the domestic sale and consumption of illicit drugs. Argentina is a party to the 1988 UN Convention. The government has an anti-narcotics secretariat to oversee a national plan against narcotics. The country's police and security forces actively combat the narcotics trade, but overlapping responsibilities and interservice rivalries limit effective coordination. Argentina's cumbersome legal system slows the prosecution of criminal offenses. In December, the congress passed legislation permitting police to conduct undercover operations, make international controlled deliveries, and negotiate plea bargaining; this should facilitate narcotics related prosecutions.

Money laundering is a growing problem in Argentina. It is a criminal offense when explicitly linked to narcotics activity. Argentina is active in the OAS money laundering task force and is working to implement the 1988 UN Convention provisions on money laundering. To date, the authorities have not concluded any successful money laundering prosecutions, although some suspects are now charged and awaiting trial.

Judicial and police officials systematically track assets in narcotics arrests and seize assets when they are clearly connected to a narcotics crime. Argentina produces precursor chemicals, which are also imported from the US and Europe. There are laws prohibiting the chemical diversion to illicit drug production, but controls are ineffective.

### II. Status of Country

Argentina increasingly is challenged by the illegal drug trade, although the dimensions of the problem are significantly less than in the major producing countries elsewhere in the hemisphere. There is very little cultivation of illicit crops. Small amounts of drugs are refined in the northern part of the country near the Bolivian border, and in small "kitchen" labs in the province of Buenos Aires. However, there is ample evidence of a significant increase in shipments of drugs through the country from major producing countries in the region. There are also strong indications of increasing drug consumption by Argentines.

The government strongly opposes narcotics production and trafficking and has in place programs of prevention and control. Over the past year, there has been increased awareness in the government and among the public of the threat posed by narcotics trafficking, money laundering, and other drug-related criminal activity.

As Argentina's role as a transshipment country increased, law enforcement agencies have seized increasingly large narcotics shipments, especially cocaine, some in excess of 300 kgs.

**Drug Flow/Transit.** Bolivia is the most common source of cocaine; larger shipments often enter Argentina on private aircraft that can land at thousands of uncontrolled airfields or at the many small municipal airports. Drugs also enter the country by railroad, most often in sealed containers; if destined for transshipment to a third country, these cannot be inspected by Argentine customs authorities. Most large narcotics shipments leave Argentina via the port of Buenos Aires concealed in containerized cargo, usually bound for the US or Europe.

**Demand/Consumption.** Argentine authorities are increasingly concerned about the growing domestic consumption of narcotics. As more drugs enter the country, greater quantities are available for local use. The strong economic growth of the past several years and the increasing wealth of a substantial portion of the Argentine population has made the country an increasingly lucrative market for drug dealers. Public health officials, educators, labor leaders, and others have expressed their concern about the widespread availability of drugs and their growing use, particularly by young people.

### III. Country Actions Against Drugs

**Policy Initiatives.** The Government of Argentina actively opposes drug trafficking; President Carlos Menem designated the counternarcotics effort a top government priority. Menem has assumed a very prominent personal role on this issue, and has been involved in antidrug rallies and other demand reduction events. The Argentine government strongly supported the US backed anti-narcotics initiatives at the Summit of the Americas.

Argentina has had a Secretariat for Prevention of Drug Abuse and Narcotics Trafficking almost from the beginning of the Menem administration in 1989. The Secretary, the country's top drug control official, is appointed by the President. Dr. Alberto Lestelle, the incumbent secretary, serves as the country's coordinator for all counternarcotics efforts; these include many domestic drug prevention programs, as well as government participation in international narcotics control conferences and seminars.

**Agreements and Treaties.** Argentina is a party to the 1988 UN Convention, the 1961 Convention, and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. In addition, Argentina and the US have an extradition treaty, a mutual legal assistance treaty, and a narcotics cooperation program letter of agreement. Argentina has

sought to fulfill the goals and objectives of the bilateral letter of agreement on narcotics cooperation. In 1989, the congress passed a major narcotics control bill to enact into law the commitments made at the 1988 UN Convention. Subsequent presidential decrees have strengthened parts of the law, such as those against money laundering and permitting asset seizures. Argentina is also an active participant in the Inter-American Drug Abuse Control Commission (CICAD), and hosted the CICAD biannual meeting held in March.

**Corruption.** The Argentine government, as a matter of policy, does not encourage or facilitate the production or distribution of drugs, or the laundering of drug profits, although there is some corruption.

**Law Enforcement.** There are major problems in coordination among the various law enforcement agencies involved in counternarcotics efforts. The Drug Secretariat does not have enforcement powers and lacks effective coordinating authority over the antidrug efforts of security forces and police agencies which are decentralized and fragmented. The Federal Police have jurisdiction throughout the country, and serve as the local police and fire department in the federal district. The National Gendarmeria is responsible for the nation's borders and rural areas. Airports are the responsibility of the Air Force Military Police. Provinces have their own police departments. The Buenos Aires provincial police is the largest police agency in the country. The various components of the country's law enforcement network have overlapping responsibilities and institutional rivalries that complicate Argentina's drug control efforts.

The entire security apparatus has systemic problems, including a low level of investigative expertise, antiquated equipment, a minimal capacity for forensic analysis, and voluminous and time-consuming paperwork requirements. Because of strict economic austerity measures, all Argentine law enforcement agencies face severe budget limitations that largely preclude investments in new equipment and training, multilateral operations, or additional manpower.

Argentina's legal system hampers effective counternarcotics efforts. It is burdened by a massive backlog of cases, cumbersome evidentiary rules, and delays due to inadequate staff and outdated equipment. The rules of criminal procedure slow, and sometimes halt, complex investigations. Under current law, there is little the police can legally do without the approval of a judge. Investigative judges are immediately appointed upon the commission of a crime, and police and prosecutors must obtain their permission to conduct investigations.

Witnesses only can be interviewed by magistrates and testimony is laboriously transcribed onto written records. Argentina's extremely restrictive rules of evidence hinder any investigation of conspiracies or other complex crimes.

In an important breakthrough, the Argentine Congress unanimously passed legislation in December allowing members of the police and security forces to operate as undercover agents in drug-related cases. The law also permits international controlled deliveries, and allows judges to reduce sentences or drop charges against suspects who cooperate in drug investigations. Previously, judges had dismissed dozens of solid cases against drug traffickers because of suspicions that police had violated laws prohibiting the use of undercover agents.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** USG and Argentine authorities cooperated closely on narcotics control matters. Since 1988, the US has provided narcotics assistance valued at \$2.75 million. The current memorandum of understanding on drug control is a one-year agreement for \$302,800. There are sub-projects under this agreement to provide drug detector dogs and training to the police; provide support for the customs chemical control program; offer training on money laundering; and provide training in interdiction and demand reduction. This assistance is channeled through the drug secretariat.

**The Road Ahead.** The USG will work closely with Argentine officials in the implementation of the law allowing undercover agents and controlled deliveries, and will support efforts to broaden the law to allow for use of informants. The USG also will seek to overcome technical and bureaucratic obstacles which now stand in the way of making the US-funded "Joint Information Command Center" (JICC) fully operational. The US also is prepared to assist the Argentine government to modernize procedures for monitoring the entry and exit of persons from the country, and to develop more reliable identity documents.

## BOLIVIA

### I. Summary

Bolivia remains the second largest producer of coca leaf, after Peru. Coca grown in Bolivia is the basis for about one-third of the world's cocaine. In 1994, Bolivia continued to participate in USG-funded drug interdiction and chemical control programs and initiated a regional program to enhance the interdiction of essential chemicals. The GOB has made no effort to establish money laundering controls or an effective asset seizure program. After a brief operation to eradicate illegal coca forcibly in February met with violent opposition, the Government of Bolivia (GOB) abandoned meaningful efforts to reduce cultivation. The GOB signed an agreement in September with pro-coca groups in which it agreed to consider promoting coca to the international community and to turn over title of government park lands to coca growers. Bolivia made no progress in achieving a workable mechanism through which to extradite drug traffickers to the United States. In 1994, Bolivia made little progress in achieving the goals of the 1988 UN Convention and lost ground previously achieved through coca eradication in prior years.

### II. Status of Country

Most of the coca in Bolivia is grown in small plots (less than a hectare) in the Chapare region, with lesser amounts in the Yungas and Apolo regions. The coca leaf is processed into cocaine base at sites adjacent to coca fields; the cocaine base is then gathered at collection points in the Chapare and other parts of the country. Some of the base is refined into cocaine hydrochloride (HCl) in Bolivia, but most is purchased by Colombian middlemen for final processing in Colombia. Recently, more HCl laboratories have been detected in the Chapare region in addition to those located in remote regions of the country. Some cocaine base is believed to be moved to Brazil to be refined in laboratories in western Brazil. Cocaine base is also used for barter for stolen cars, electronic equipment, and other contraband from Brazil.

Surveys show that coca cultivation expanded by two percent in 1994 as a result of declining eradication and increased planting. Coca leaf production expanded by six percent, due to the combination of increased cultivation and maturation of crops planted two years ago.

Most of the chemicals used in processing cocaine base and HCl in Bolivia come from Chile, Argentina and Brazil. Although most of these chemicals are smuggled into Bolivia, increasing amounts enter the country through legal means and are then diverted to cocaine production. On paper, Bolivia has a rigorous and complete system for chemical imports. An office of the Ministry of Government, the National Directorate for the Registry and Control of Controlled Substances and Precursors, tracks and controls and licenses the import and use of 42 essential chemicals. However, Bolivian Customs is weak in controlling chemicals at the borders while insufficient numbers of National Directorate field inspection personnel has led to reports of phantom companies receiving licenses.

Despite these problems, the GOB made progress in controlling essential chemicals in 1994. The Customs Service named a new director and replaced several notoriously corrupt agents. Bolivia developed a regional chemical control operation with neighboring countries to enhance controls at Bolivia's borders. The Customs Service worked effectively with the Chemical Control Police and related agencies during this operation. The Chemical Control Police is a small, but highly motivated and competent investigative body which the GOB plans to expand in 1995.

Money laundering is not a criminal offense and banks have no legal requirement to report large or suspicious transactions. Because of strict bank secrecy laws, law enforcement officers need court orders to gain access to bank records. The approximately 170 exchange houses in Bolivia are not effectively regulated. Bolivia has taken no steps to implement a formal mechanism for exchange of financial information.

Under current law, the forfeiture of a seized asset depends on the successful conviction of the asset's owner. Under the Bolivian criminal system, obtaining a conviction can take years, during which time the government is liable for any loss or degradation of seized assets that are not eventually forfeited. The office of seized assets now controls upwards of \$300 million in property, but is unable to provide an accurate inventory of the property under its control or to protect those assets from misappropriation.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** Bolivia's counternarcotics master plan was created in 1988 through the implementation of the 1988 Bolivian Coca and Controlled Substances Law (Law 1008). This law calls for the gradual eradication of coca, with yearly targets of eradication, through voluntary or forced removal of plants, contingent upon international development assistance. In 1994, the GOB eradicated 1,058 hectares of coca, thus failing by a wide margin to meet the yearly eradication targets of 5,000 - 8,000 hectares required by Law 1008.

In February, the GOB briefly undertook a campaign of forced eradication of coca plants growing next to cocaine base laboratories. Coca growers mounted resistance, which grew violent, and the government ceased eradicating. Elements of the coca growers later began a campaign of intimidation against growers who had expressed willingness to eradicate their crops in exchange for money and other benefits. As a result, voluntary eradication dropped off sharply.

President Sanchez de Lozada is seeking to develop a strategy to eliminate illegal coca from the country without the use of measures he considers to be divisive, such as forced eradication. In 1994, however, the GOB made no measurable progress toward creating a plan to carry out this strategy.

**Accomplishments.** The police undertook four operations aimed at specific trafficker activities. One operation targeted maceration pits and laboratories in the Chapare, one was designed to block the entry of buyers into the Chapare and the shipment of drugs from the region. A later operation was aimed at stopping the flow of chemicals into the Chapare; it was followed by an operation to stop chemicals at the Bolivian borders. This border control initiative is continuing and the GOB is coordinating efforts with law enforcement agencies in neighboring countries. These operations have disrupted some trafficker operations and have caused traffickers to change their modes of operation. The operations have also reportedly resulted in stockpiles of chemicals and cocaine base, as traffickers wait for a reduction in police vigilance.

In separate operations, GOB forces destroyed two major cocaine HCl laboratories, one before it went into operation. The police estimate that each could produce multi-tons of cocaine per month. In 1994, the GOB seized 7.46 metric tons of cocaine base and HCl combined.

**Law Enforcement Efforts.** Working closely with DEA and supported by Bolivian military units, the counternarcotics police were active and successful in drug enforcement initiatives. In 1994, counternarcotics forces arrested two traffickers with ties to the Medellin cartel: Isaac Chavarria and Jose Faustino Rico Toro. Chavarria is being held pending trial for narcotics trafficking in Bolivia. Rico Toro, who was appointed to the position of commander of the counternarcotics police in 1991 by former President Paz Zamora, was arrested and held in custody pending a court ruling on an extradition request from the United States, based on his indictment on drug charges in Miami.

**Corruption.** The Sanchez de Lozada administration is committed to combatting corruption. As a matter of government policy, the GOB does not condone, encourage, or facilitate illicit production or distribution of controlled substances, or the laundering of proceeds from illegal drug transactions. Senior officials do not engage in, encourage, or facilitate illicit production or distribution of drugs, or the laundering of proceeds thereof. Despite the conscientious efforts at the highest levels of the GOB, corruption pervades the Bolivian government and judicial system, with direct involvement in narcotics trafficking within some elements of the Bolivian armed forces.

Effective enforcement of the country's counternarcotics laws has been hampered by corruption. The property of arrested narco-traffickers has been returned to the control and management of their families. A narcotics police captain was arrested as he attempted to sell more than 60 kilos of cocaine to undercover agents. A judge and high-ranking prison official are charged with the illegal release of a convicted trafficker. There is reason to believe that Colombian traffickers and their Bolivian accomplices, who were arrested plotting a major prison break, were assisted by certain police officials.

The GOB has taken steps to address corruption. Throughout 1994, the GOB continued its probe of Chavarria's and other trafficker ties to and the longstanding relationship of convenience with Paz Zamora and members

of his Movement of the Left (MIR) political party. On December 16, the Bolivian Congress voted to recommend the impeachment ("juicio de responsabilidades") of Paz Zamora. A leader of the MIR party, Oscar Eid, was arrested on December 26 on charges stemming from the MIR investigation. The Supreme Court President and a Supreme Court Justice were impeached in 1994 on non-drug related corruption charges and removed from the Court.

**Agreements and Treaties.** Bolivia is a party to the 1961 Single Convention on Narcotic Drugs, its 1972 Protocol, and the 1988 UN Convention. Extradition requests are based on the US-Bolivia extradition treaty of 1900, as amended by the aforementioned conventions to include drug-related crimes as extraditable offenses. The Supreme Court did not recognize the validity of this legal argument in extradition requests brought before it in 1994. In 1994, the USG had 36 extradition requests pending in Bolivia. The Court considered extradition requests for drug traffickers Felipe Roca Ali and Rolando Suarez Landivar in 1994, but did not reach a decision on these cases by the end of the year. A Supreme Court vote on the extradition of Faustino Rico Toro resulted in a tie; auxiliary judges were brought in to fill vacancies temporarily, and the augmented Court voted to extradite in early 1995. The USG vigorously protested the Court's release from detention of Rico Toro to "house arrest" while a decision on his extradition was pending.

The United States and Bolivia negotiated a new extradition treaty, reaching agreement on a joint draft in 1990. The agreement, which encompasses drug trafficking offenses, was never signed by the Paz Zamora administration nor has the Sanchez de Lozada government endorsed it.

**Cultivation and Production.** Bolivia accounts for roughly one-third of the world's coca leaf production. The Chapare and Yungas regions are the principal growing areas. Bolivian law allows for the legal cultivation of coca in specified "traditional" areas, primarily in the Yungas, for domestic use in tea and for chewing, although this section of the law is in conflict with the 1961 UN Convention. The law limits coca production to that necessary to satisfy the demand for traditional uses, but in no case to exceed 12,000 hectares. Most of the coca in the Chapare and other areas at the time of Law 1008's enactment was declared "excess and transitional" and was to be gradually eradicated, subject to adequate international financing for crop substitution and alternative development programs. Coca grown outside these two areas or planted in transitional areas after 1988 is illegal and subject to immediate eradication. Under Law 1008 the use of herbicides to eradicate coca is illegal.

There were 48,100 hectares of coca under cultivation in Bolivia in 1994. Some 1,058 hectares were eradicated, while an estimated 2,000 hectares of new coca were planted in 1994, resulting in a net increase in cultivation of about 900 hectares. Coca from the Yungas region is preferred for chewing and tea, due to its texture and taste, and most of this coca is consumed locally in leaf form. In contrast, some 97 percent of the 75,900 metric tons of coca leaf harvested in the Chapare region is processed into cocaine. Field testing done in 1993 determined that 390 kilograms of Chapare coca leaf is needed to produce a kilogram of pure cocaine.

**Demand Reduction Programs.** Drug abuse, primarily of inhalants, is increasing among Bolivia's youth. The GOB's Directorate for Prevention of Drug Dependency and for Mental Health (PREID) provides treatment and rehabilitation programs. Two private sector programs, the Educational System Against Drug Addiction (SEAMOS) and the Narcotics Education Center (CESE), carry out drug addiction awareness programs. CESE operates a drug hot-line and has a pilot program funded by UNDCP to expand its drug education program throughout Bolivia. SEAMOS has developed into the leading mass media drug campaign organization in Bolivia. It receives most of its support through sponsorship by the Confederation of Bolivian Private Entrepreneurs, which indicates the commitment of the Bolivian private sector to work against drug addiction.

#### **IV. US Policy Initiatives and Programs**

**Policy initiatives.** The US counternarcotics goal in Bolivia is to eliminate the cultivation of illegal coca and the production of cocaine and to assist the GOB to develop the capability to combat narcotrafficking on its own. In achieving these goals, the US is committed to strengthening democracy and encouraging economic growth and stability.

**Bilateral Cooperation.** Bolivia and the United States have a bilateral counternarcotics, military, and development agreement. In 1994 the GOB accomplished some of the commitments it made in the agreement, notably its promise to staff and otherwise support various counternarcotics activities. Bolivian agencies have performed well, often admirably, in drug interdiction and related law enforcement efforts undertaken through the agreement. The GOB also cooperates fully in USAID-supported alternative development programs. However, in 1994 the GOB failed to eradicate coca and to extradite drug traffickers as it committed to do under the bilateral agreement and through its ratification of the 1988 UN Convention.

**Road Ahead.** The GOB claims to be seeking to develop a national consensus on addressing the coca problem. It is working to develop a comprehensive plan for the elimination of illegal coca through large-scale development of economic alternatives to coca cultivation and trafficking. On-going development projects have proved effective: according to USAID surveys, USG-supported development efforts contributed to a one-third increase (around 12,000 hectares) of licit crops in the Chapare region in 1994. The USG maintains that development is an essential element of a Bolivian comprehensive drug control strategy, but, as the rise in coca cultivations in the Chapare shows, development alone will not reduce coca and cocaine. Parallel disincentives to grow coca must be a part of the strategy.

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**Statistical Tables**

Tables for CY		1994	1993	1992	1991	1990
<b>COCA</b>						
Potentially Harvestable	[ha]	48,100	47,200	45,500	47,900	50,300
Eradication*	[ha]	1,100	2,400	5,149	5,486	8,100
Cultivation	[ha]	49,200	49,600	50,649	53,386	58,400
<b>Leaf</b>						
Potentially Harvestable**	[mt]	89,800	84,400	80,300	78,000	77,000
<b>Seizures</b>						
Coca leaf	[mt]	202.13	201.25	188.90	5.45	62.00
Coca paste***	[mt]	0.02	0.01	0.33	0.94	11.23
Cocaine base	[mt]	6.44	5.30	7.70	3.12	2.30
Cocaine HCL	[mt]	1.02	0.31	0.70	0.32	0.16
Agua Rica ****	[ltrs]	16,874	14,255	50,820	23,230	-
<b>Arrests/Detentions</b>		1,469	1,045	1,226	1,003	775
<b>Labs Destroyed</b>						
Cocaine HCL		32	10	17	34	33
Base		1,891	1,300	1,393	1,461	1,446
<b>Domestic consumption</b>						
Coca leaf [licit]*****	[mt]	13,300	13,300	10,000	10,000	10,000

\* The actual eradication figure for 1994 was 1,058 ha, rounded up to 1,100 ha.

\*\* The reported leaf-to-HCl conversion ratio is estimated to be 390 kg of leaf to one kg of cocaine HCl in the Chapare. In the Yungas, the reported ratio is 330:1.

\*\*\* Most coca processors have eliminated the coca paste step in production.

\*\*\*\* Agua Rica [AR] is a suspension of cocaine base in a weak acid solution. AR seizures first occurred in late 1991. According to DEA, 37 liters of AR equal one kg of cocaine base.

\*\*\*\*\* Licit consumption estimate revised in 1993.

## BRAZIL

### I. Summary

Brazil's former President, Itamar Franco, in 1994 took steps to increase his government's focus on narcotics problems. Brazil continues to plan for the construction and use of a radar system, for which the Export-Import Bank has approved financing, to detect drug trafficking and other activity in the Amazon. The Brazilian Federal Police Drug Division (DPF/DRE) seized a record 11.8 metric tons (mt) of cocaine, surpassing the 1993 rate of over seven metric tons. A high-level Brazilian delegation of counternarcotics officials visited Washington, seeking enhanced counternarcotics policy expertise. President Franco signed a decree on chemical control during the last days of his administration.

Increases in Brazil of drug abuse, narcotics trafficking, money laundering, and illicit diversion of chemicals could potentially weaken government institutions. An international major donor group, the Dublin Group, indicated that Brazil should focus more attention to its growing drug problem. Newly-elected President Fernando Henrique Cardoso has spoken of his intentions to strengthen the Brazilian government's counternarcotics focus and increase international cooperation. President Cardoso's and Justice Minister Jobim's attention to Brazil's growing narcotics problem and support for counternarcotics enforcement will be crucial to the success of Brazilian counternarcotics efforts in 1995.

Brazil ratified the 1988 United Nations Convention in 1991, and has cooperated with the USG since 1987 via bilateral narcotics control agreements. However, the Brazilian Congress has not yet passed legislation, first introduced in 1991, to implement the 1988 UN Convention.

### II. Status of Country

Brazil is a major transit country for cocaine from Colombia destined for the US and Europe. Diversion of precursor chemicals, both imported to Brazil and produced there, remains a significant problem. The late 1994 signing of then-President Franco's decree on chemical control demonstrates that Brazil has begun to take steps to control such illicit diversion.

Brazil's largely unregulated banking system and strict bank secrecy laws attract money launderers. Despite a lack of specialized legislation on money laundering control, the DPF/DRE has engaged the judicial apparatus and focused on using existing legislation to combat fraud in financial transactions.

In the past, the Brazilian government has identified a few cocaine processing laboratories within its territory, but in 1994 identified none. Cultivation of coca is insignificant. Cultivation of cannabis and use of marijuana, on the other hand, is a major concern to Brazil, but marijuana is apparently not exported. The DPF/DRE in 1994 destroyed 886 mt of cannabis plants.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The Brazilian government appointed a new National Drug Secretary in 1994. The new Secretary introduced a chemical control decree, which was signed by President Franco. The UN Drug Control Program (UNDCP) located its office in the same building as the Drug Secretariat, enhancing coordination between those organizations. One of their primary objectives is to improve the administration of the Asset Forfeiture Fund (FUNCAB). The Brazilian government in late 1994 deployed the military to Rio de Janeiro's slums in a joint effort with local police to control drug trafficking and its attendant crime and violence there. The DPF/DRE counternarcotics force participated in November in a regional chemical control operation.

The Brazilians requested and received Export-Import Bank financing for a radar system envisioned for counternarcotics and other purposes, the Amazon Surveillance Project (SIVAM). The Brazilians continue to work to implement the radar system, and plan for Project Pro-Amazonas, the stationing of DPF/DRE units at strategic points near Brazil's western border, to provide airfield interdiction and arrest capabilities.

**Accomplishments.** The Brazilian government took steps to comply with the 1988 UN Convention in law enforcement and international cooperation. The DPF/DRE disrupted four major international cocaine trafficking networks. One such network included Brazilian trafficker Vincente Wilson Ramos-Rivera, who attempted to transport over seven tons of cocaine to the US in one shipment. Others included the Brazilian connection of the Rendon-Robayo organization, the Ramon Flores-Cuellar organization, and the Paulo Sergio Tomas Brazilian organization. The USG continues to benefit from Brazilian cooperation in law enforcement investigations and extradition. Brazil extradited to the US two Americans arrested on narcotics trafficking charges.

Brazil continues to implement its asset seizure laws. FUNCAB increased its resources by approximately \$611,000, which will be used to fund law enforcement and demand reduction projects. Some of the Brazilians' DPF/DRE resources bolstered donor funds to support DPF/DRE operations and training. The DPF earmarked the required amount of money provided by the government to renovate several DPF/DRE border field posts, and to upgrade some DPF/DRE equipment. However, the DPF/DRE requires an infusion of Brazilian government funds to restructure its force and hire and train new agents.

**Corruption.** As a matter of policy and practice, the Government of Brazil (GOB) does not condone illicit production or distribution of drugs, or the laundering of drug money. We know of no senior GOB officials engaged in or encouraging such activity. During the past year, the DPF/DRE made no new narcotics-related corruption arrests among its ranks. However, corruption remains a problem in other levels of the Brazilian government, particularly state and local police.

**Agreements and Treaties.** Brazil ratified the 1988 UN Convention in 1991. The Brazilian Congress is still contemplating implementing legislation submitted that year. The government overall meets the goals and objectives of the 1988 UN Convention, but increased focus on controlling chemicals and on implementing legislation to conform to the Convention would boost its counternarcotics performance. Brazil continues to participate in international investigations and extraditions to dismantle narcotics trafficking organizations. It has renewed bilateral counternarcotics agreements with the USG and Germany. Brazil engages also in law enforcement liaison with the USG, Great Britain, France, Germany and the Netherlands.

**Drug Flow/Transit.** International drug mafias continue to expand narcotics trafficking operations in Brazil. Brazil's increased level of cocaine seizures in 1994, 11.8 mt, indicates increased trafficker use of Brazil and greater DPF/DRE efficiency at seizing cocaine. The June seizure of 7.3 mt and four seizures of over 200 kilograms (kg) of cocaine, enroute to the US and Europe, confirms Brazil's status as a major transit country.

**Demand Reduction Efforts.** Dominated by local government and non-governmental organizations (NCOs), Brazil's demand reduction programs comprise surveys of drug use, rehabilitation of addicts, and outreach in schools. The results of a 1993 survey of drug use among junior high, high school students and street children pointed to an increase in substance abuse. Solvents are still the chemical of choice, with prescription drugs and marijuana in second and third places, respectively. The Brazilian government has not yet signed a demand reduction agreement with the USG for this year. The Drug Abuse Resistance Education (D.A.R.E.) program in the state of Rio de Janeiro and in the city of Sao Paulo conveys to school children the dangers of drug abuse. The well-received D.A.R.E. program is envisioned to expand into a nation-wide program with increased bilateral support. The Ministry of Education drafted a plan addressing the need for education about prevention of drug abuse in Brazil.

#### **IV. US Policy Initiatives and Programs**

USG counternarcotics assistance seeks to build institutions enhancing Brazilian efforts to seize cocaine shipments transiting Brazil and to dismantle international drug mafias. The USG provides equipment, training, and operational support to the DPF. Other anti-drug initiatives include public awareness, demand reduction, chemical control, and reduction of money laundering. Brazil authorities achieved two major bilateral goals: a seizure rate that exceeded USG projections and the disruption of four major international drug mafias. In 1995, The US Customs Service will conduct a money laundering seminar to provide a forum for bankers, judges, and other Brazilian officials to discuss money laundering control measures.

Although such counternarcotics operational successes warrant commendation, counternarcotics initiatives in Brazil have not received high level political support. The Dublin Group, an international anti-drug assistance forum, has voiced strong concern about the Brazilians' lagging

progress in enacting legislation to control chemicals and in increasing funding for the DPF to counter the international drug mafia that transships cocaine through Brazil to the US and Europe. Passage of counternarcotics legislation and increased support for the DPF/DRE would help allay such concerns conveyed by the international community.

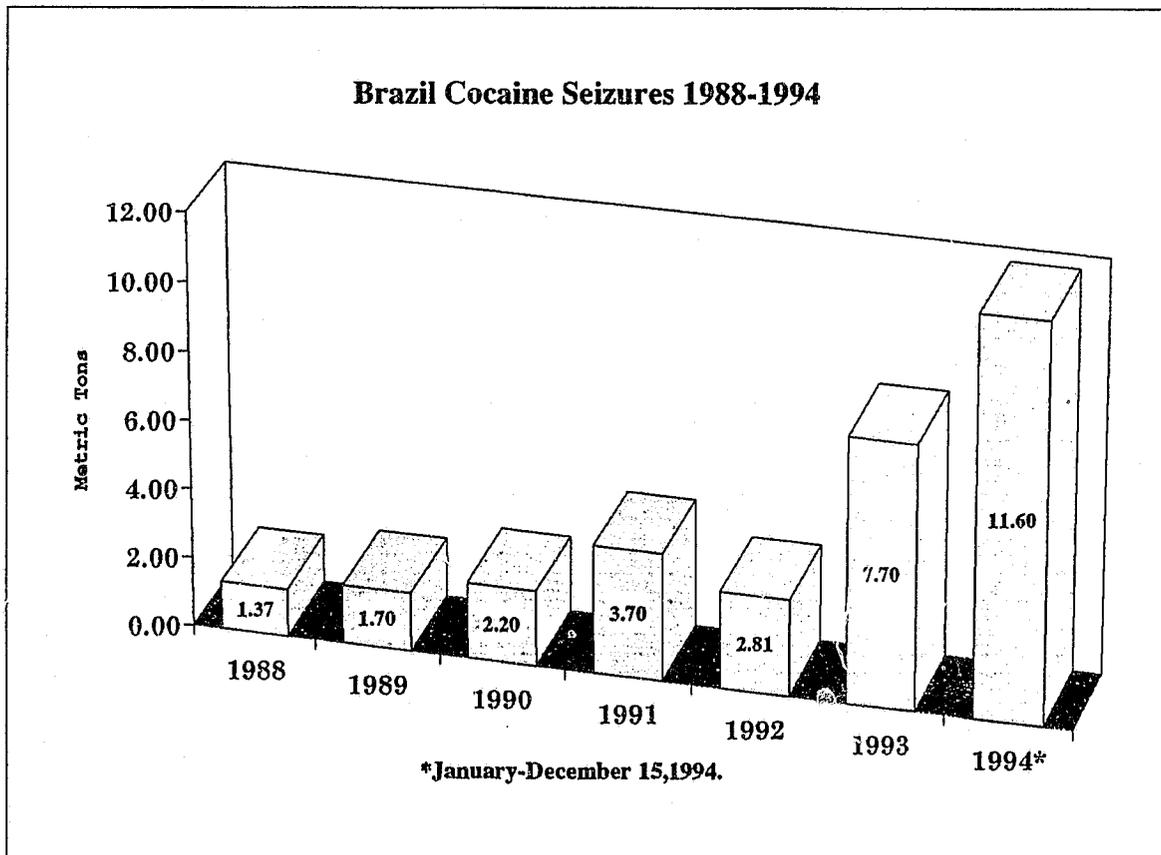
**Road Ahead.** Passage of legislation to bring Brazil into compliance with the 1988 UN Convention and the creation of a national drug strategy would enhance Brazil's counternarcotics stance. Vigorous implementation of the new chemical control decree would mitigate Brazil's status as a major source and transit point for essential chemicals. USG bilateral counternarcotics agreements on law enforcement continue to focus on building institutions to target international drug mafias. The most crucial element in Brazil's counternarcotics efforts will likely be the amount of high-level attention that is directed to stopping the increasing trafficker use of Brazil as a major drug transit, and potential drug processing country.

Statistical Tables

TABLES for CY		1994*	1993	1992	1991	1990
<b>COCA</b>						
Harvestable Cultivation	[ha]	unk	unk	unk	unk	unk
Eradication	[mt]		20	0	0	14
Cocaine Seizures	[mt]	11.60	7.70	2.81	3.70	2.20
<b>CANNABIS</b>						
Harvestable Cultivation	[ha]	unk	unk	unk	unk	unk
Eradication	[mt]	821	884	763	1,643	3,584
Seized in-country	[mt]	18.4	10	19.6	8.5	10.2
Arrests		2,029	2,803	2,283	2,759	2,841
<b>Labs Destroyed</b>						
Cocaine HCL		0	5	0	3	3

\* 1994 data covers January-December 15. Information represents official figures reported by the Department of Federal Police (DPF) Narcotics Unit to the U.S. Embassy and DEA. Note: Coca surveys indicate no new cultivation. No cannabis surveys were conducted. (Market for cannabis is domestic.)

2/25/95



## CHILE

### I. Summary

Chile is a transit country for South American cocaine smuggled to world markets. It also is a potential money laundering center because of its proximity to producer countries and the strength of its economy and banking system. The Government of Chile (GOC) has taken measures to combat trafficking. In August, the congress passed sweeping new counternarcotics legislation that, for the first time, criminalizes money laundering, and regulates precursor chemicals. It also gives the police authority to use modern law enforcement techniques. The law was promulgated in January 1995. Law enforcement agencies have coordinated their counternarcotics activities with authorities in neighboring countries and in international meetings. USG provided the GOC with training and equipment to support the implementation of Chile's 1990 national drug policy. Chile is a party to the 1988 UN Convention.

### II. Status of Country

With a booming economy, Chile is ideal for drug money laundering. With the new counternarcotics law, money laundering is now illegal and precursor chemicals can no longer be legally stored and shipped to other destinations. Authorities are concerned about the movement of drugs across northern Chile for onward shipment by sea, as well as by a rise in domestic consumption. Cocaine seizures increased 50 percent, from 813 kgs in 1993 to 1.2 mt in 1994.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The Chilean Congress in August passed new national counternarcotics legislation which defines and imposes sanctions for money laundering, establishes controls on precursor chemicals, authorizes police undercover work, permits the forfeiture of trafficker assets, and updates the criminal drug code. In January 1995, President Frei promulgated the legislation. A constitutional tribunal ruled unconstitutional provisions of the new law permitting prosecutors access to bank records without prior judicial authorization, but the Frei Administration has indicated it will submit amended legislation to meet these objections. In February, Chile took part in the first subregional meeting of counternarcotics representatives from Argentina, Bolivia and Peru to discuss goals and strategies for coordinating their policies. The GOC held discussions with USG officials in September about the possible negotiation of a modern extradition treaty. In addition, the GOC has expressed an interest in a mutual legal assistance treaty with the US

**Accomplishments.** Chile attempted to meet its commitments under the 1988 UN Convention through its new counternarcotics law, which deals with money laundering, asset seizure, precursor chemicals, and modern law enforcement techniques. The legislation also deals with demand reduction activities and rehabilitation training. The GOC sought to

expand drug information sharing with Argentina and Bolivia. Chile also served as the president of the OAS Inter-American Drug Abuse Control Commission (CICAD) and hosted the October CICAD gathering.

**Law Enforcement Efforts.** Law enforcement authorities helped to eliminate major trafficking organizations in 1994. The police opened up new channels of communications with their Bolivian counterparts in February. As a follow-up to the April International Drug Enforcement Conference (IDEC) in Quito, the GOC police hosted a meeting to plan a coordinated operation with neighboring countries. The police authorities increased cocaine seizures by approximately 50 percent in 1994, confiscating 1.2 mt -- up from 813 kgs in 1993.

**Corruption.** President Frei was active in speaking out against public corruption, citing this as a high national priority. Most public officials, along with the courts and police services, enjoy a generally good reputation for honesty and professionalism. As a matter of government policy, the GOC does not encourage or facilitate in any way the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. There were no narcotics-related corruption charges brought against any senior public official in 1994.

**Agreements and Treaties.** Chile is a party to the 1988 UN Convention, the 1961 Single Convention, as well as its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. Chile and the US have a 1994 counternarcotics cooperation agreement, under which the USG provided the GOC \$170,000 in equipment, training and demand reduction assistance. Chile improved its cooperation with Bolivia in February, agreeing to unify policies to curb drug consumption in high risk regions of both countries. In October, Chile and Argentina signed accords to promote better coordination against drug trafficking and consumption. The GOC is working to fulfill the goals and objectives of the 1988 UN Convention.

**Cultivation/Production.** Chile is not a significant drug cultivating or producing country. It does not cultivate coca, plants and all cannabis cultivation is illegal. Most marijuana grown illegally in Chile is harvested in the central part of the country. It is of poor quality and is chiefly consumed domestically.

**Drug Flow/Transit.** Chile is an attractive air and maritime route for Bolivian and some Colombian traffickers who use it as a transshipment point to world markets. In addition, illicit drugs move in significant quantities from Bolivia across Chile's northern border for transshipping through Chilean ports. In addition, as Chile's economy expands, more and more narcotics move south to the Santiago area for domestic consumption.

**Domestic Programs (Demand Reduction).** GOC ministries are in general agreement as to the importance of drug abuse prevention and education, and the need to build more effective programs in this area. However, there is insufficient funding for demand reduction programs, and the GOC has had limited success in coordinating demand reduction activities nationwide. The GOC offers some training. The private sector and local communities also offer training in the northern part of the country where consumption is a greater problem.

#### IV. US Policy Initiatives

The USG provided support for the implementation of effective money laundering and precursor chemical controls, as well as for improvements in drug awareness and trafficking investigations.

**Bilateral Cooperation (Accomplishments).** The USG helped Chile to eliminate a Colombian maritime trafficking organization that used Chile as a transshipping route. INL funded two money laundering training and education seminars in 1994. It also sponsored a precursor chemical seminar in March and a customs interdiction training seminar in April, and supported Chilean participation in a narcotic detection dog trainer program. Ranking GOC police officials took part in US-sponsored executive training.

**Road Ahead.** In anticipation of effective implementation of the new counternarcotics law, the USG will concentrate on training programs in money laundering and demand reduction, the creation of a police chemical control unit, and the elimination of trafficking organizations. The USG will discuss the possibility of negotiating a modern extradition treaty, as well as a bilateral mutual legal assistance accord.

## COLOMBIA

### I. Summary.

Colombia is the world's primary cocaine production center. As the home to the dominant drug syndicates, it currently occupies a central role in the fight against international narcotics trafficking. In 1994, Government of Colombia (GOC) efforts to confront this menace achieved limited success in the tactical arenas of narcotics interdiction, illicit crop eradication, and essential chemical seizures. Weak legislation, corruption and inefficiency hampered efforts to bring mid and high level narcotics traffickers to justice. No drug-related assets were forfeited, while already lenient sentences were further reduced pursuant to automatic sentencing reductions. This failure of the Colombian political establishment to support the efforts of counternarcotics forces operating on the ground is the principal reason for Colombia's lackluster performance in 1994.

### II. Status of Country.

In addition to being the world's leading producer and distributor of cocaine, Colombia is also a major cultivator of coca, marijuana, opium poppy, and a producer of heroin. Colombian narcotics labs have an estimated yearly production capacity of 600-720 metric tons of cocaine HCl and may also have the capacity to produce 20 metric tons of heroin each year, the majority of which is bound for the US. Ninety percent of the coca and cocaine base used by Colombian labs to make cocaine HCl originates in Bolivia and Peru. Colombian coca fields provide the remaining ten percent. Cocaine is the most serious drug problem facing the US. The social costs it imposes are measured both in the lives it ruins through addiction, and the violence it fosters. Three-quarters of the cocaine available worldwide comes from Colombia.

Colombia is also home to the world's primary cocaine trafficking syndicates. Taking advantage of the fragmentation of the Medellin syndicate and the killing of kingpin Pablo Escobar in December 1993, the Cali syndicate has for several years dominated the cocaine trade in Colombia and exercises a powerful influence worldwide. The Cali kingpins and their key lieutenants are well known to law enforcement both in Colombia and the United States. Criminal cases and warrants exist against many of them, sometimes in both countries, yet only a handful have been arrested -- none in 1994. The fragmentation of the Medellin syndicate did not reduce the drug flows from Colombia.

Colombia has also become a major money laundering center. With no laws specifically prohibiting money laundering, and a booming economy, major narcotics traffickers easily conduct financial transactions to legitimize their ill-gotten gains. This poses a significant threat to the Colombian economy, as numerous efficient businesses are forced out of the market by inefficient competitors created by the traffickers solely to launder their illegal drug funds. If this situation continues, Colombia's ability to remain competitive in the international economic arena will be severely damaged.

### III. Country Action Against Drugs in 1994.

#### Policy Initiatives.

The Colombian Congress ratified the 1988 UN Convention in 1994, with certain significant and broadly articulated reservations and declarations in such areas as extradition, asset forfeiture, and maritime interdiction. The convention entered into force for Colombia in September 1994. In April, the GOC approved the aerial application of the herbicide glyphosate against coca cultivation. In November, the Colombian national police (CNP) initiated an aggressive plan to eradicate coca and opium poppy cultivation in Colombia. With the support of the GOC National Directorate of Dangerous Drugs (DNE), the operation has withstood continued attacks by drug interests and their supporters against the aerial application of herbicides. At one point, the government rejected an agreement reached between protesting coca cultivators and a government-sanctioned commission which proposed to effectively legalize the cultivation of small plots (up to 3 hectares/ 7.5 acres in size) of illicit crops.

**Accomplishments.** The Samper Administration launched an initiative to develop a hemispheric money laundering convention and hosted a meeting of money laundering experts in November. This initiative was discussed at the Summit of the Americas and further meetings on money laundering will take place. Despite these stated intentions, money laundering is not yet a crime in Colombia, nor has the country adopted the OAS Model Regulations on narcotics money laundering and asset forfeiture. The Colombian Congress failed to pass an anti-corruption statute which the Samper Administration considered to be the centerpiece of its 1994 legislative agenda. Facing stiff opposition, the Samper Administration, after extraordinary political maneuverings, successfully defeated in late November a bill which would have eliminated Colombia's anti-narcotics/terrorism court system and made it impossible to prosecute illicit enrichment as a separate and distinct criminal offense. The GOC expects narcotics interests to try to insert the key elements of this defeated effort into other legislation. The Administration sent to Congress a bill amending the constitution in order to nullify the constitutional court's May 5th ruling which legalized the possession and use of small quantities of certain drugs for personal consumption. This bill failed for lack of a quorum before the Colombian Congress recessed on December 16.

**Law Enforcement Efforts.** The Prosecutor General's office (Fiscalia) is being restructured to strengthen its investigative capabilities, especially in the area of money laundering and corruption. In October, the Fiscalia issued an arrest warrant for narcotics trafficking charges against Cali syndicate kingpin Miguel Rodriguez Orejuela. The government also issued additional arrest warrants against him and his brother Gilberto in late 1994. Although both remain at large, the GOC has begun a trial in absentia against Miguel. The country's new top prosecutor has taken other positive steps such as, revoking "safe conduct" passes that had been issued to high-level Cali traffickers by his predecessor in the previous administration.

The assignment of former anti-narcotics Chief General Rosso Serrano as the new Director General of the Colombian National Police (CNP) seems designed to strengthen efforts to address corruption and narcotics control. It may counter the effect of the police reorganization in which the Anti-narcotics Directorate (DIRAN) was downgraded by two organizational levels to a division (DANTI). The new administration is also revamping the Federal Department of Security (DAS).

Despite these organizational changes, DANTI's efforts against certain production, distribution and transportation networks were heroic. It demonstrated an ability to make effective use of resources obtained with USG assistance in damaging individual components of the drug syndicate network. Unfortunately, none of these efforts have been sufficient to inflict mortal wounds on the syndicates.

The Colombian constitution prohibits extradition of Colombian nationals, thereby precluding US prosecution of most of the notorious trafficking leadership. Unfortunately, the GOC has not itself mounted successful legal actions against major narco-traffickers. Moreover, Colombia has continually permitted major traffickers to receive utterly unwarranted benefits for surrendering, has imposed on them sentences wholly out of keeping with the gravity of their offenses as provided in US provided evidence, and has entirely failed to force them to disgorge their ill-gotten gains. Indeed, despite the GOC's assurances that it would take steps to ensure that traffickers receive sentences commensurate with the seriousness of their crimes, including the forfeiture of criminally derived assets, it has done little to rectify the weaknesses in its legal system. Finally, Colombia has not been able to assure the safety of witnesses or their loved ones. For all these reasons, the United States had to suspend evidence sharing in new cases.

Colombia's asset seizure laws are confusing and lack structure. The GOC's ability to successfully implement this legislation has been limited by its inability to compile evidence, prosecute, and convict defendants on criminal charges. Existing statutes allow the GOC temporarily to seize the property and assets of an individual, subject to a criminal investigation or proceeding. Property rights are forfeited if the individual is convicted of a crime, or if the owner does not officially defend those rights within a year after having been summoned. In reality, however, seized assets of identified criminals are regularly returned for failure of the government to make prosecutable cases.

**Corruption.** In late 1993, the Fiscalia had over 15,000 active criminal corruption investigations filed against government officials. These investigations occasionally led to dismissal or retirements, but rarely to criminal prosecution. 53 percent of those sanctioned between 1991 and 1993 were high-level officials. In August, the Colombian Attorney General named 21 members of Congress who are being investigated for corruption by his office and other GOC entities. Some of these have since been cleared. There is no indication of the number of government officials who were sanctioned for corruption or the nature of the sanction for 1994. In the last four years, the CNP has dismissed over 14,000 officers for corruption, including 100 implicated in recent scandals at Bogota's international airport and in Cali.

**Agreements and Treaties.** Colombia is party to the 1961 UN Single Convention, its 1972 Protocol, the 1971 UN Convention on psychotropic drugs, and the 1988 UN Convention. The constitutional court approved the 1988 convention's ratification by congress, with several potentially significant reservations in the areas of extradition, confiscation, and maritime interdiction. The convention entered into force in September 1994. Colombia has signed a nonreciprocal agreement with the US on asset sharing, and an agreement on chemical control. The legality of a series of cooperative agreements between the GOC and nine other countries, however, was challenged before the constitutional court in November. Among these were a July 1990 memorandum of understanding on asset sharing between the GOC and the US and a February 1991 declaration of intent on evidence sharing. The constitutional court decided that, although never ratified by congress, the instruments had taken on the characteristics of treaties. The court labeled the arrangements "irregular" and called on the president to resolve the legal issues surrounding these arrangements. The GOC and the USG have agreed to proceed directly under the 1988 UN Convention.

The GOC has not brought into effect a previously negotiated and signed mutual legal assistance treaty with the US. Prior to enactment of any further understandings or agreements on counter-narcotics, however, the GOC must resolve questions raised by the constitutional court as to the legality and efficacy of existing measures which lack congressional approval.

**Cultivation/production.** CNP has conducted opium poppy eradication in southwestern Colombia since March 1992. In February 1994, DNE granted authorization to CNP to begin aerial eradication of coca as well. After a series of administrative delays, CNP started coca fumigation operations in April. CNP opened another eradication front against opium poppy in northern Colombia in August. This was done with the joint cooperation of the USG, which provided additional financial, equipment, personnel and herbicide resources for this endeavor. Progress throughout the year was not exceptional, but in early November the CNP reinvigorated operations with an aggressive plan to eradicate more than half of the coca and opium poppy in Colombia in the shortest period of time. The high results obtained during the last two months of the year (roughly one third of the year's eradication effort was accomplished in November and the first week of December) brought 1994 eradication numbers in line with those of 1993. Nevertheless, total opium poppy eradication was about 50 percent less than last year. While the effort against coca greatly surpassed that of 1993, when only manual eradication was in effect, it fell short of expectations. We anticipate that the GOC will continue to face organized and vocal opposition to its eradication program.

Led by the CNP, GOC efforts against cocaine production exceeded that of 1993. Over 60 metric tons of cocaine HCl and base were seized and some 550 labs were destroyed, 15 of which were capable of producing 500 kilograms or more of cocaine per week. More than 180 metric tons of marijuana were also seized in Colombia. The CNP helped to disrupt cocaine transport routes throughout Colombia by seizing 28

narco-trafficker aircraft and by destroying 21 clandestine airstrips used by traffickers. Unfortunately, the GOC performance did not match that of 1991, when over 86 metric tons of cocaine were seized. The efforts against heroin and marijuana were also poor, considering the continued increase in production and shipment to the US of both drugs. Additionally, the inability of the GOC to control open narcotics trafficking in certain parts of its territory, especially San Andres Island, prevented greater inroads against the flow of narcotics to the United States.

#### **DOMESTIC PROGRAMS/DEMAND REDUCTION**

The GOC has focused even less on the internal distribution of narcotics than it has on international trafficking. Domestic distribution and consumption are treated as issues of public order rather than of narcotics control. On May 5, the constitutional court declared unconstitutional two articles of Colombia's anti-narcotics statute which penalized drug possession and use. The Samper administration introduced a bill to penalize drug possession for personal use, which failed to pass for lack of a quorum before Congress recessed in December.

#### **IV. US Policy Initiatives and Programs.**

**Policy Initiatives.** USG narcotics control goals in Colombia focus on institutional development of the legal system and narcotics enforcement elements of the GOC. The primary USG narcotics control goals in Colombia are to: reduce the flow of narcotics from Colombia to the US by focusing resources on the identification, investigation, prosecution, and appropriate punishment -- including disgorgement of ill gotten gains -- of narcotics traffickers; to reduce the cocaine and heroin production potential of Colombia by developing the CNP's capability to aeriaily eradicate large sectors of illicit cultivations; to encourage, and assist through training, the GOC to enact and effectively implement legislative reforms. Legislation should include comprehensive statutory authority targeting asset forfeiture, the organization leadership of the narco-trafficking syndicates, and an overhaul of the sentencing authority to ensure the imposition of sentences which are commensurate with a defendant's culpability and which do not award meritless sentence reductions as a matter of course. The GOC must also be encouraged to accept its international obligations to implement the cooperative mechanisms of the 1988 U.N. Convention, to enact and fully implement legislation giving effect to the OAS/CICAD Model Regulations (particularly with respect to money laundering), and to bring into force the US-Colombian Mutual Legal Assistance Treaty or, in the alternative, to become a party to the OAS regulations.

#### **BILATERAL COOPERATION**

Other areas in which the USG seeks to assist the GOC are to develop the institutional capabilities of the Federal Department of Security (DAS) to detect and document money laundering activity and perpetrators, develop the institutional capabilities of the Colombian National Police (CNP) Anti-Narcotics Division (DANTI) to interdict narcotics laboratories

and shipments, coordinate with other international donors, particularly members of the mini-Dublin group, in assisting the GOC to carry out selected alternative development initiatives, assist the GOC in reducing domestic consumption of illegal narcotics, and improve DANTI and DAS counternarcotics intelligence, financial investigative, and aviation skills through quality training programs.

The US Agency for International Development (USAID), Department of Justice International Criminal Investigative Training Assistance program (ICITAP), and Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL) Narcotics Affairs Section (NAS) conduct ongoing programs with key elements of the GOC judiciary and narcotics enforcement entities. Among many of the other US agencies involved in this effort are the Department of Defense (DOD), the Drug Enforcement Administration (DEA), and various offices of the Department of Justice (DOJ).

The USAID justice sector reform project (JSRP) assists the GOC in its long term efforts to restructure key sector entities, with special emphasis on the criminal justice system. The JSRP also seeks to improve the effectiveness of the judiciary and the office of the prosecutor general, to expand access to the judicial system, and to strengthen judicial protection capabilities. This is being accomplished through training, technical assistance, and a number of sub-projects being carried out in selected geographical jurisdictions.

USAID has provided training to magistrates and judges on the provisions of the new (1993) criminal procedures code and sponsored short term visits to the United States and selected Latin American countries for members of the superior judicial council and the prosecutor general's office to give them the opportunity to observe effective court administration and demand reduction programs. In 1994, more than 2,300 judges, prosecutors, investigators and administrative support personnel benefited from training provided directly by USAID or under its cooperative agreement with the Colombian foundation for higher education (FES).

Through ICITAP, 516 GOC investigators and forensic specialists were trained in courses offered both in Colombia and in the United States. ICITAP also provided 15 weeks of technical assistance to GOC law enforcement agencies in the areas of judicial protection, forensic development, and curriculum development. Additional professional training for prosecutors will begin in early 1995 under the auspices of the DOJ office of professional and development training (OPDAT).

The NAS Colombia national police program focuses on developing the institutional and tactical capabilities of the CNP to conduct interdiction and eradication missions. NAS sponsored DOD and commercial aviation training for 310 CNP anti-narcotics aviators, mechanics, and logisticians in 1994. An additional 233 anti-narcotics policemen participated in training related to tactical interdiction skills. Most courses were taught by DOD and provided several hours of instruction in human rights awareness. In addition to training, NAS provided aircraft parts for the

CNP anti-narcotics airwing consisting of 40 helicopters and 20 airplanes. The INL Air Wing provided half a dozen T-65 Turbo Thrush spray planes, instructors, and technical advisors to support CNP's surge in eradication operations. NAS also provided commodities to support more than 30 DANTI interdiction, eradication, and intelligence units deployed throughout Colombia.

#### **V. The Road Ahead**

We note with satisfaction that President Samper, in a February 7 speech, outlined a broad ranging counternarcotics strategy which addresses eradication of coca cultivations in two years, production and distribution systems, initiatives to combat money laundering and illicit enrichment. President Samper also called the current judicial system an open door to impunity and said the sentencing process would be strengthened. These initiatives, if pursued aggressively, attack many of the key areas in which Colombia's antidrug performance in 1994 was insufficient.

## Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>COCA*</b>						
Potentially harvestable	[ha]	44,700	39,700	37,100	37,500	40,100
Eradication	[ha]	4,910	793	959	972	900
Estimated cultivation	[ha]	49,610	40,493	38,059	38,472	41,000
<b>Leaf</b>						
Potentially harvestable	[mt]	35,800	31,700	29,600	30,000	32,100
<b>OPIUM</b>						
Potentially harvestable	[ha]	20,000	20,000	20,000	1,344	-
Eradication	[ha]	4,676	9,821	12,858	1,156	-
Estimated cultivation	[ha]	24,676	29,821	32,858	2,500	-
<b>CANNABIS**</b>						
Harvestable Cultivation	[ha]	4,986	5,000	2,000	2,000	1,500
Eradication	[ha]	14	50	49	0	500
Cultivation	[ha]	5,000	5,050	2,049	2,000	2,000
Theoretical Potential Yield	[mt]	4,138	4,125	1,650	1,650	1,650
Seized in country	[mt]	200	549	206	329	664
<b>Labs Destroyed</b>						
Cocaine		560	401	224	239	269
Morphine/Heroin		9	10	7	5	
<b>Seizures</b>						
Heroin/Morphine Base	[mt]	0.181	0.261	0.05		
Opium	[mt]	0.128	0.261	0.43		
Cannabis	[mt]	200	549	206	329	664
Base and Basuco	[mt]	32.00	10.40	5.81	9.28	5.80
Cocaine HCl	[mt]	30.00	21.76	31.92	77.07	47.27
Total HCL/Base Seized	[mt]	62.00	32.16	37.73	86.35	53.07
<b>Domestic Consumption</b>						
Cocaine (rough estimate)	[mt]		2	2	2	2
Marijuana (rough estimate)	[mt]		2	2	2	2
<b>Arrests /a</b>						
Nationals	persons			-	-	
Foreigners	persons			-	-	
<b>Total Arrests</b>	persons	2,154	2,562	1,700	1,170	6,150

\* The estimated leaf-to-HCl conversion ratio is 500:1.

\*\* Reported cannabis cultivation has not been confirmed by USG survey.

\*\*\* Arrest and seizure data were provided by the Colombian National Police, Directorate of Anti-Narcotics. These numbers have not been confirmed independently by the USG.

## ECUADOR

### I. Summary:

Ecuador is a major transit country for cocaine shipped from Colombia to the United States and Europe, serving as a link for Cali traffickers to launder money and to import precursor chemicals into Colombia. The Government of Ecuador (GOE) cooperates with the USG to seize cocaine, reduce money laundering, and dismantle international drug mafias. Drug kingpin Jorge Reyes Torres, leader of the Jorge Reyes Torres Organization (JRTO), is jailed in Ecuador awaiting trial. The JRTO shipped an estimated 30-50 mt of cocaine annually to the US. Ecuador enacted laws on money laundering in compliance with the 1988 United Nations Convention and the Organization of American States (OAS) model legislation. The GOE in 1994 signed an asset sharing agreement with the USG, implemented a money laundering agreement, and completed a licit chemical use study. However, credible allegations of corruption within the judiciary in narcotics cases increased, and prosecution of major narcotics traffickers continued to move slowly. Ecuador in 1990 ratified the 1988 UN Convention.

### II. Status of Country:

Unlike neighboring Colombia and Peru, Ecuador is not a major producer or processor of cocaine. However, traffickers use Ecuador as a bridge to ship processed cocaine from Colombia and essential chemicals into Colombia. Ecuador is also a money laundering center. Drug use is increasing within Ecuador, particularly in coastal cities. The GOE, with USG assistance, has an active detection and narcotics eradication program. The GOE dismantled or disrupted the activities of six Ecuadorian drug organizations with ties to the Cali drug mafia in 1994. The government intensified interdiction efforts along the Pan American Highway, carrying out operations against traffickers using the highway to transport drugs through Ecuador. Ecuador's ability to control money laundering would be enhanced by greater enforcement of requirements for banks to report suspicious transactions.

### III. Country Actions Against Drugs in 1994:

**Policy Initiatives.** The Ecuadorian police obtained limited access to financial institutions for money laundering investigations. Although police obtained sufficient evidence to arrest several top level bank officials on money laundering charges, Ecuadorian judges--who may have been bribed or intimidated by traffickers--delivered not guilty verdicts in the cases.

The Ecuadorian government seized assets valued at about \$18 million in 1993-4. However, this is significantly less than the assets seized in 1992, when Jorge Reyes Torres, leader of the largest trafficking organization in Ecuador, was arrested and his assets were seized. The GOE and USG signed a bilateral agreement to share seized assets in 1994. Ecuador received \$330,000, which the GOE used for law enforcement, hiring

a qualified attorney to pursue prosecutions of major narcotics traffickers. The attorney has expertise in prosecuting narcotics cases, familiarity with the rulings of Ecuadorian judges, and knowledge of the Reyes Torres case in particular.

Under the 1990 Ecuadorian National Drug Strategy, the National Drug Council (CONSEP) coordinated a study of the legitimate demand for precursor and essential chemicals, the first step toward implementing a program to limit legal imports and illicit diversion of such chemicals. The Ministry of Education, with USG assistance, began to train school teachers in drug abuse prevention and other demand reduction techniques.

**Accomplishments.** Police seizures of cocaine HCl more than doubled in 1994 over the previous year, seizing over two metric tons (mts), compared with just over one ton in 1993. CONSEP and the police seized in 1994 over 31 mt of cocaine and 2,000 gallons of essential chemicals, including acetone and sulfuric acid. With USG and UN Drug Control Program (UNDCP) assistance, the police upgraded their drug detector dog program. There are plans to construct a canine training facility in Quito.

**Law Enforcement Efforts.** The GOE passed legislation in 1990 criminalizing the production, transport, and sale of controlled narcotics; the import, transport and/or use of essential chemicals without the written permission of CONSEP; any attempt to conceal the profits from narcotics trafficking activities; the intimidation or subornation of judicial and public authorities for drug crimes; and illegal association related to drug trafficking and profiteering.

Ecuador's Narcotics and Psychotropic Substances Act of 1991 provides measures for the seizure and forfeiture of the instrumentalities used in, and the proceeds derived from, narcotics trafficking offenses. The law also created the National Council for the Control of Narcotics and Narcotics Substances (CONSEP), which is charged with maintaining and disposing of forfeited property. The USG has not made any requests to Ecuador for judicial forfeiture assistance. Pursuant to an asset sharing agreement executed by the USG and Ecuador in June, the USG transferred approximately USD 330,000 to CONSEP in recognition of Ecuador's assistance to the DEA. The USG anticipates transferring \$3.8 million to CONSEP in 1995 from the assets of trafficker Reyes Torres, which were recovered by the US from Switzerland.

The GOE's legislative and operational actions comply with the 1988 UN Convention and OAS model legislation. However, judicial action in enforcing such legislative mandates is minimal, threatening the integrity of Ecuador's court system and inviting further abuses of the administration of justice in Ecuador.

The GOE centralized most drug enforcement activities in the Ecuadorian National Police (ENP), although the Customs Inspection Service (CIS) still claims a role in such work. Negotiations are ongoing to formally designate the ENP as the primary counternarcotics agency in Ecuador. The armed forces have responsibility to support the police in counternarcotics

activities. A military patrol destroyed three hectares (ha) of coca plants in a remote northern border area early in 1994. The GOE suspended combined police/military operations along the Putumayo River border with Colombia after a 1993 attack by suspected Colombian guerrillas. The police and military have prepared preliminary strategy documents for conducting joint operations in that region; such joint operations would reduce drug trafficking activity.

CONSEP is the principal government coordinator on narcotics matters, the agent for all seized assets, and the regulatory agency for the import and internal movement of precursor and essential chemicals. However, CONSEP needs increased funding from the GOE to enhance the effectiveness of its counternarcotics activities.

The Ecuadorian government, with INL-provided Thrush aircraft, conducted aerial missions to search for new opium poppy and coca cultivations and processing facilities. The GOE identified no illicit crops or labs, but inclement weather forced the postponement of further search flights. Operations are scheduled to resume in early 1995.

The ENP dismantled or disrupted the operations of six narcotics trafficking organizations, seizing over two mt of cocaine Hcl, and arresting over 50 suspects, including ten Colombian nationals. The Police Intelligence Center (CICC) increased its training and automated its intelligence database files. Police regional offices began to submit regularly intelligence reports with key information essential to dismantling international drug mafias.

The INTERPOL counternarcotics training center (CCA) provided basic anti-narcotics training to 262 narcotics police agents and basic intelligence training to 47 selected INTERPOL personnel.

**Corruption.** As a matter of government policy, the GOE does not encourage or facilitate the illicit production or distribution of drugs, other controlled substances, or the laundering of drug money. However, corruption remains a serious problem at all levels in the police, and there are credible allegations of corruption within the judiciary which increase as more major narcotics traffickers are tried. Nonetheless, no senior official in the current administration has been identified as engaged in the production or distribution of drugs or in money laundering of drug proceeds. Ecuador's 1990 narcotics law includes provisions for prosecuting government officials who impede the prosecution of individuals charged under that law.

President Sixto Duran-Ballen addressed the December 1994 Miami Summit of the Americas on anti-corruption efforts. Vice President Alberto Dahik is active in Transparency International, a non-governmental group dedicated to reducing official corruption. The Ecuadorian government must increase its own efforts to reduce judicial corruption and to reform the judiciary. Outdated judicial practices and incidents of judicial corruption inhibit the ability of the government to effectively prosecute narcotics traffickers, such as Jorge Reyes Torres. Ecuador lacks credible institutions to effectively monitor cases of judicial corruption. The current system set up to address cases of judicial corruption needs serious reform to ensure its effectiveness.

The Ecuadorian National Police Commander, General Guido Nunez Bano, resigned following allegations of abuse of authority and illegal enrichment. The investigation continues. Two cases of judicial corruption languish within Ecuador's judicial system.

**Agreements and Treaties.** Ecuador and the USG signed a bilateral project agreement in September that provides assistance to CONSEP. No project agreement was signed in 1994 with the ENP. However, unspent funds from prior year agreements will continue to sustain the ENP project. The goals of the ENP project are to improve police effectiveness by providing equipment and training in counternarcotics enforcement and intelligence analysis. Ecuador and Colombia signed an agreement establishing a joint committee on border security. In June, the two nations held a joint police/military counternarcotics planning exercise, Fuerzas Unidas 95.

The GOE in 1991 entered into an agreement with the USG on preventing the illicit diversion of essential chemicals. The GOE in 1992 concluded a Currency Transaction Reporting (CTR) requirement on amounts over \$10,000. However, the GOE has not implemented the CTR requirement in enforcing its anti-money laundering agreement.

Although the USG and the GOE have signed a bilateral extradition treaty, the Ecuadorian constitution prohibits the extradition of Ecuadorian nationals, and the treaty does not provide for provisional arrest. Ecuador has cooperated with the USG in efforts to deport or investigate international drug traffickers. The government entered into preliminary discussions with the USG in 1994 to negotiate a Mutual Legal Assistance Treaty (MLAT).

**Cultivation/Production.** There is currently no evidence of significant drug cultivation in Ecuador. Traffickers grow small plots of coca and opium poppy in Ecuador, particularly on the northern border with Colombia. Ecuadorian authorities remain vigilant and quickly destroy illicit crops. Joint USG-GOE flights are expected to continue in 1995.

**Drug Flow/Transit.** Colombian groups take advantage of Ecuadorian seaports to export cocaine via commercial maritime vessels to the US and Europe. Colombian traffickers also smuggle essential chemicals through Ecuador into Colombia. The Pan American Highway, Ecuadorian airspace, and poorly monitored ports are the primary means of transshipment. The US Customs Service has agreed to provide temporarily a port inspector at the Port of Guayaquil to advise the GOE on how to enhance security and to improve import/export procedures. The GOE is also seeking to establish an aircraft intercept capability by constructing a permanent radar site in eastern Ecuador.

**Demand Reduction.** Drug use is increasing in Ecuador's large coastal cities. CONSEP plans to conduct in 1995 two epidemiological studies. Representatives from CONSEP attended several conferences on prevention of drug abuse and rehabilitation methods. The Ministry of Education, with USG assistance, began to train school teachers in drug abuse prevention methods for the primary and secondary curricula.

**US Policy Initiatives and Programs.** The USG seeks to increase the political will of the Ecuadorians to address the narcotics problem; and to improve Ecuador's institutional capability to target major narcotics traffickers, intercept drugs and chemicals, reduce money laundering, and effectively target and prosecute major narcotics traffickers. The USG works with the ENP, CONSEP, the Armed Forces, the Customs Service and voluntary agencies. USAID's Rule of Law program is designed to reform the judicial system on a broader scale.

**The Road Ahead.** The GOE is working to implement controls on the import and internal movement of essential chemicals, and to provide police and detector dog coverage to Ecuador's vulnerable narcotics transit areas. As recently as February 1995, Ecuadorian authorities demonstrated energetic cooperation with the USG by seizing in Guayas province over three tons of cocaine, the largest seizure in Ecuadorian history. Ecuador must use existing CTR requirements and automated information for police investigations to counter money laundering. The GOE in 1994 failed to carry out judicial reform to conclude prosecutions of major narcotics traffickers, specifically Jorge Reyes Torres. USG assistance will focus on enhancing Ecuadorian efforts to meet counternarcotics goals, particularly in chemical controls and in the prosecution of major narcotics traffickers.

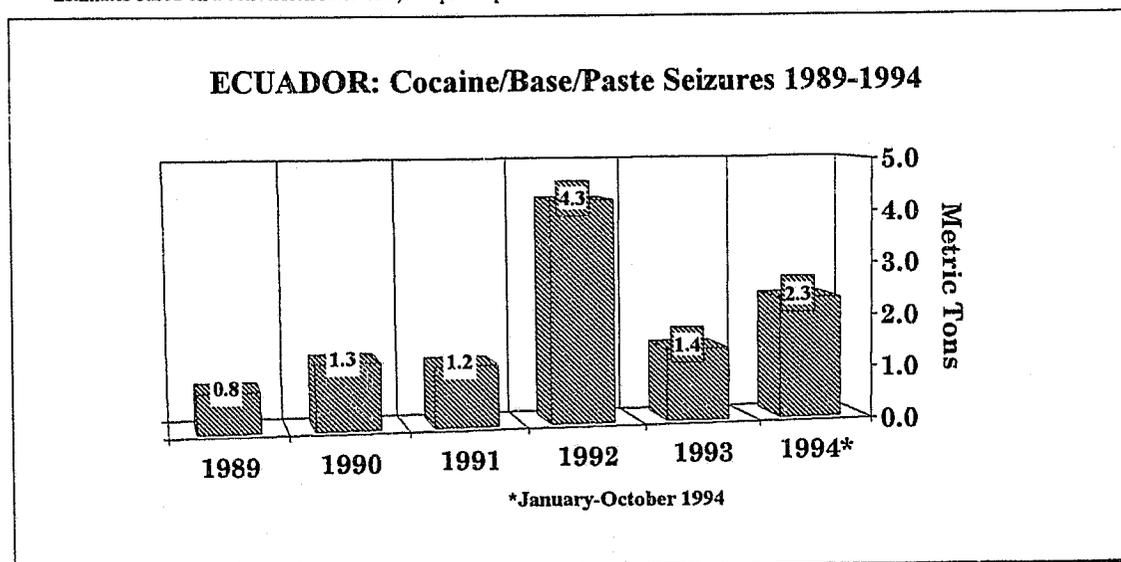
ECUADOR 1995 INCSR

Statistical Tables

TABLES for CY		1994*	1993	1992	1991	1990
<b>COCA</b>						
Harvestable Cultivation	[ha]	0	2	0	40	120
Eradication**	[ha]	3	3	3	80	30
Cultivation	[ha]	3	5	3	120	150
Plants eradicated		15,000	26,325	15,400		
<b>Seizures</b>						
Cocaine	[mt]	2.161	1.039	3.750	0.858	0.561
Base, paste	[mt]	0.163	0.335	0.505	0.305	0.707
Marijuana	[mt]	0.127	0.183	0.631	0.171	0.404
Total Cocaine products	[mt]	2.3	1.4	4.3	1.2	1.3
Heroin	[mt]	0.023	0.027	0.003	0	0
<b>OPIUM</b>						
Plants eradicated		775	17,669			
<b>Arrests</b>						
Nationals		2,872	2,775	1,810	2,794	3,147
Foreigners		201	213	165	198	220
Total Arrests		3,073	2,988	1,975	2,992	3,367
Cocaine Labs Destroyed		0	0	0	4	1
<b>Chemicals Seized:</b>						
Acetone	Liters	4,225	0	0	0	75
Ether	Liters	-	220	0	0	44
MEK	Liters	-	0	0	2,200	75
Thinner	Liters	-	0	0	440	0
Sulfuric Acid	Liters		0	0	0	10
Acetic acid	Liters	295				
<b>Assets Seized:</b>						
Vehicles	items	66	58	22	23	33
Motorcycles	items	5	5	4	4	2

\*1994 figures January - October.

\*\*Estimates based on a conversion ratio of 5,000 plants per hectare.



## PARAGUAY

### I. Summary

Paraguay is a transit route for cocaine shipped primarily from Bolivia, and perhaps increasingly from Colombia, to Argentina and Brazil for onward shipment to the United States and Europe. High-quality cannabis is grown for domestic consumption and export to Argentina and Brazil. President Juan Carlos Wasmosy has stressed his personal commitment to combatting narcotics trafficking, but the GOP has yet to take practical steps to identify, prevent and punish public corruption that facilitates the trafficking and transshipment of narcotic and psychotropic drugs and other controlled substances. A lack of political will to investigate vigorously allegations of official corruption has undercut Paraguay's drug control program. Given this situation, Paraguay cannot be considered to be in compliance with the 1987 bilateral counternarcotics agreement with the USG, which seeks to eliminate the illicit production, processing, trafficking, and consumption of narcotics in Paraguay and the transit of narcotics through contiguous territorial waters. Paraguay is a party to the 1988 UN Convention.

### II. Status of the Country

Paraguay's extensive river network, numerous unregistered airstrips, poorly policed borders, widespread official corruption, and historical status as a major smuggling route all combine to make it an attractive transit route for narcotics. Intelligence sources indicate that multi-hundred kilogram shipments of cocaine regularly pass through Paraguay. Most of this cocaine originates in Bolivia, but Colombian traffickers are also developing routes through Paraguay. Paraguay is considered to be a major money laundering center, based on its extensive re-export trade and its expanding and poorly regulated financial sector. Paraguay is not considered to be a producer of, or major transit country for, precursor and essential chemicals, nor is it a major center of cultivation or production of illicit substances.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The GOP continued the cooperative effort of stationing USG counternarcotics aircraft in Paraguay. It ratified a bilateral financial information exchange agreement with the USG. The Anti-narcotics Executive Secretariat (SENAD) commissioned a national drug control strategy that, while completed, has not yet been adopted. The Congress is considering money laundering legislation, which may be voted upon in the March 1995 session.

**Accomplishments.** On September 10, in a joint operation with DEA, the Paraguayan narcotics police seized 756 kilograms of cocaine. This was the largest drug seizure ever in Paraguay and it resulted from the successful, well-coordinated use of the undercover "controlled delivery" tactic.

**Law Enforcement Efforts.** Paraguayan law enforcement authorities did not provide adequate cooperation during the first half of 1994, and a major narcotics investigation was very probably compromised. Commencing in August, the quantity and quality of cooperation increased, highlighted by the 756 kilo seizure. The October 10 assassination of SENAD Director Ramon Rosa Rodriguez sidetracked law enforcement efforts for two months. The new SENAD director has stated his commitment to a cooperative drug control effort and plans to carry out widespread changes in the composition of SENAD and the national antinarcotics police.

To date, Paraguayan law enforcement efforts have not focused on major drug traffickers and organizations. This has hampered cooperation with DEA. In 1994, 29 persons were sentenced to prison for narcotics trafficking; all were low-level traffickers.

In 1994, Paraguayan law enforcement authorities seized a total of 806 kilograms of cocaine and 3.08 metric tons of marijuana, and arrested 58 traffickers of illegal drugs. GOP forces destroyed 232 hectares of cannabis fields. The GOP seized 15 vehicles in 1994 in narcotics-related investigations; the total value of these vehicles and other seized assets is estimated at less than \$100,000.

**Corruption.** As a matter of government policy, Paraguay does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Several high-level officials in the government and the armed forces are suspected of facilitating the illicit transit of such drugs or substances, and of engaging in, encouraging and facilitating the laundering of proceeds from illegal drug transactions. No hard evidence exists, however, to corroborate these suspicions.

Although President Wasmosy has vowed to combat official corruption, the GOP has yet to take an aggressive investigative stance to identify, prevent, and punish public corruption that facilitates the trafficking and transshipment of narcotic and psychotropic drugs and other controlled substances. The GOP has taken steps to prevent criminal acts that would discourage the investigation or prosecution of such acts, as when it provided police protection to a journalist who publicized the illegal use of airstrips by smugglers. Paraguay's constitution and laws criminalize narcotics trafficking and the corruption that facilitates its existence.

**Agreements and Treaties.** Paraguay ratified the 1988 UN convention in 1990 and is a party to the 1961 Convention, and its 1972 Protocol. It has a tripartite narcotics enforcement agreement with Argentina and Bolivia, and has similar bilateral agreements with Brazil and Venezuela. It signed a bilateral assistance agreement with the United States in 1987, which has been extended annually, meeting the requirements of the Chiles amendment. It also agreed to the declaration of principles and plan of action adopted at the Summit of the Americas. Paraguay and the United States have a little-used bilateral extradition treaty, through which a Brazilian national was extradited from Paraguay on cocaine trafficking charges.

**Cultivation and Production.** Cannabis is the only illicit crop known to be cultivated in Paraguay, and is harvested throughout the year. The GOP has estimated that 1,500 hectares are under cultivation, mostly in the Northeast, a figure the USG cannot confirm. This is less than the 2,300 reported last year, although anecdotal evidence indicates that the area under cultivation has increased over the past year. The GOP does not utilize a scientific methodology for determining crop size and yields.

**Demand Reduction Programs.** Paraguay's narcotics abuse problem is small, but anecdotal evidence indicates it is growing. The Ministries of Health and Education work with non-government organizations to provide drug education programs in the Paraguayan schools.

#### **IV. US Policy Initiatives and Programs.**

**Policy Initiatives.** The major US objectives are to improve Paraguay's investigative capabilities, which could then be used to disrupt narcotics trafficking; prevent Paraguay from becoming a money laundering center; reverse the spread of narcotics-related corruption; fortify democratic institutions, especially those connected to law enforcement; and increase public awareness of the threat narcotics trafficking poses to Paraguay's democratic development.

**Bilateral Cooperation.** The USG provided technical, communications, intelligence and financial assistance for ten counternarcotics field operations in 1994. INL provided funding for detector dog support, communications and computer equipment. USG support for motor vehicle maintenance was suspended after police officials failed to account for money spent.

**The Road Ahead.** The extent of future USG cooperation will depend on the GOP's political will to take practical and effective measures to combat narcotics trafficking. This will be measured by the performance of the GOP in investigating major cocaine traffickers, as well as in making significant seizures and arrests. During 1995, the USG will seek to improve Paraguayan drug law enforcement investigative capabilities, cooperate with SENAD in targeting major narcotics traffickers and trafficking organizations, work with the Paraguayan Congress on passage of money laundering legislation, provide money laundering training for law enforcement and financial institution personnel, assist the judicial branch in dealing with narcotics-related cases, and cooperate with SENAD and the executive branch on the adoption of a national drug control strategy. A capable and cooperative SENAD leadership is a prerequisite to achieving many of these objectives.

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**Statistical Tables**

TABLES for CY		1994	1993	1992**	1991	1990
<b>CANNABIS*</b>						
Harvestable Cultivation	[ha]	1,268	2,307	2,367	2,750	2,250
Eradication	[ha]	232	193	133	250	250
Cultivation	[ha]	1,500	2,500	425	425	425
Potential Yield	[mt]	2,536	4,614	4,734	2,750	2,250
<b>Seizures</b>						
Cocaine	[mt]	0.806	0.043	0.067	0.041	0.425
Marijuana***	[mt]	3.08	4.64	20.35	0.97	0.12
<b>Arrests</b>						
		58	333	337	300	200
<b>Users ****</b>						

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\* Cultivation statistics are estimates provided by the Paraguayan government.

\*\* Beginning in 1992, Paraguayan authorities changed the estimated cannabis plant yield from one mt/hectare to two mt/hectare.

\*\*\* Marijuana seizure statistics for 1990-1993 have been changed, based on information provided by the Government of Paraguay.

\*\*\*\* No reliable data is available on the volume of illicit drug use in Paraguay.

2/25/95

## PERU

### I. Summary

Peru is the world's largest producer of coca. The estimated number of hectares under cultivation in 1994 (108,600) did not increase over the 1993 estimate, although coca leaf production rose by six percent over 1993 estimates. Government of Peru (GOP) counternarcotics activities increased significantly in many areas. The GOP approved a comprehensive national plan for drug prevention and control, with a goal of 50 percent reduction in coca farming population by the year 2000. Under a stringent new law against opium production or trafficking, numerous small areas of poppy were destroyed by the GOP. In December, police for the first time seized a commercial quantity of opium raw material. In July, the GOP resumed systematic eradication of new coca in seedbeds, and by year-end had eradicated the estimated equivalent of 4,960 hectares of mature cultivation. The GOP, however, continued to oppose the eradication of mature coca plants without increased alternative development assistance from foreign donors. The GOP is a signatory to the 1988 UN Convention.

Peruvian armed forces counternarcotics missions continued to increase, with large seizures of illegal drugs, chemicals and other contraband. Joint operations by the Peruvian military and police became more frequent. Several senior officers and numerous other military and police officers faced corruption charges in military and civilian courts. Corruption, made more attractive by grossly inadequate official salaries, remains an impediment to drug law enforcement. In cooperation with UNDCP, the GOP implemented alternative development projects for coca reduction, complemented by a growing number of IFI-funded economic infrastructure projects indispensable for alternative development goals. The GOP has advanced toward the goal of creating a coherent strategy to eliminate illicit cocaine production, but needs to integrate its alternative development and enforcement efforts in order to achieve a net coca reduction throughout the country.

### II. Status of Country

Peru's 108,600 hectares of coca estimated by the USG annual crop survey in 1994 represent over 50 percent of the world's total coca supply. Cultivation in 1994 was essentially unchanged from that of 1993 (108,800 hectares), which in turn had been a significant net decrease from the 1992 high of 129,100 hectares. The drop is attributable to a combination of natural and economic factors, as well as the cumulative impact of counternarcotics efforts of all types, in the Huallaga Valley. In 1994, cultivation continued to decline in the Upper Huallaga Valley; and for the first time, there was a decline in cultivation in the Central and Lower Huallaga. Cultivation increased by over 20 percent in the Aguaytia-Pachitea Valleys, and by nearly 15 percent in the Apurimac Valley, where prior to 1994, counternarcotics activities were virtually nonexistent. However, new cultivation in 1994 in these areas was considerably less (6,800 hectares) than new cultivation observed

in 1993 (10,200 hectares). The estimated of coca leaf increased by six percent from an estimated 155,500 metric tons in 1993 to approximately 165,300 metric tons in 1994.

Peru is mainly a supplier of semi-finished raw material (cocaine base) for processing to cocaine hydrochloride (HCl) in Colombia and elsewhere. Most coca is grown by individual farmers in plots averaging about one hectare; 60 percent or more process the product themselves for sale to trafficking organizations. Trafficking organizations in Peru purchase, consolidate and export cocaine base, rather than processing it themselves. However, repeated seizures of cocaine hydrochloride (HCl) on the Pacific coast confirm that final processing also exists, and is increasing. Most cocaine base is moved out of Peru by twin engine general aviation aircraft. These are typically Colombian and arrive in Peru only to pick up cocaine base. Pickup locations vary depending on economic conditions and intensity of law enforcement activities. At the end of 1994, the main points of international pickup were in the Pachitea and Apurimac areas, and illegal airstrips on the Brazil border.

Peru is not a significant international money laundering center. However, deregulation and full convertibility of Peruvian currency (the Sol) under President Fujimori's far-reaching economic reform program make it relatively simple to manage illegal funds repatriated for raw material purchase and other expenses, including corruption, personal consumption by traffickers, and growing investment in licit sectors.

There is domestic production of most chemicals essential to cocaine base processing. Potassium permanganate and organic solvents are imported in licit commerce. Chemicals are normally diverted from the licit economy on the Pacific coast and moved by land to drug processing centers in the trans-Andean jungle areas. The GOP-controlled chemical regulatory system includes a joint office of the Ministry of Industry's controlled chemical unit (licensing and regulation of licit import, manufacture, sale and use), the National Police Anti-Drug Directorate (DINANDRO) controlled chemical division and customs service. The Peruvian chemical regulatory system is assessed by DEA as probably the most advanced in South America.

Until 1994, no significant opium poppy cultivation had been discovered. In December, DINANDRO made the first seizure in Peru of a commercial quantity (about 600 kilograms) of opium poppy straw, representing production of 2-3 hectares or more.

### **III. Country Action Against Drugs in 1994**

In 1994, the GOP took concrete actions toward meeting goals and objectives of the 1988 UN Convention in most respects, and took measures to punish several senior police and military officers and numerous other officials for drug-related public corruption.

**Policy Initiatives:** in September, the GOP approved a national plan for drug prevention and control, which UNDCP considers among the best in the region. It defines measures to eliminate illegal drug production, trafficking and abuse, including eliminating all coca cultivation destined for illicit uses. It states the goal of reducing by 50 percent the population dependent on coca by the year 2000, through alternative development leading to voluntary abandonment of coca. It is a framework within which donors can coordinate support for a long-term GOP effort to reduce and eliminate illicit coca production. On June 1, the GOP approved a law with strict penalties for any aspect of opium poppy cultivation trafficking or use. It requires destruction of any poppy found in Peru. In several trans-Andean areas from northern Peru to the far south, police or armed forces discovered and destroyed small plots of poppy, apparently experimental or pilot cultivation.

At the Rio Group Summit in September, President Fujimori proposed harmonization of drug-related criminal law of Rio Group countries. The specific proposal prepared by the Ministry of Justice is a comprehensive compendium of enhanced criminal law, including controlled delivery, conspiracy, reversal of burden of proof in illicit enrichment actions, extradition, electronic evidence, etc. This proposal is under review by Rio Group Foreign Ministries. President Fujimori emphasized the importance of this initiative at the Summit of the Americas in December.

**Accomplishments.** In July, the GOP resumed systematic eradication of new coca found in seedbeds (suspended in November 1993 by the USG for budgetary reasons), and by year's end had manually eradicated 74,400 square meters of coca seedbeds, the estimated equivalent of 4,960 hectares of mature cultivation. The Peruvian National Police Anti-Drug Directorate (DINANDRO) reported seizing approximately 831,226 US dollars, 19,034 Peruvian soles, 46,650 Ecuadorian sucres, and 197,500 Colombian pesos in connection with drug trafficking offenses. The GOP cooperated with UNDCP alternative development projects in parts of the Upper and Central Huallaga, Aguaytia and Pachitea Valleys, and the Urubamba Valley in Cuzco. In November, UNDCP initiated a new German-funded project in parts of the Apurimac Valley. GOP army engineer units undertook significant road infrastructure rehabilitation in less secure areas. Resumption of IFI lending was followed by World Bank and Inter-American Development Bank projects to rehabilitate over 1500 kilometers of roads and improve electric power facilities, indispensable to alternative development. In October, the GOP prepared its first regional alternative development concept for a five-year, \$111 million program (with an additional \$70 million in IFI-funded transportation and energy infrastructure) for the Upper Huallaga Valley. The USAID Upper Huallaga area development project ended in December 1993. In 1994, the GOP cooperated in the design of a new USG-funded alternative development project, expected to be ready in early 1995.

**Law Enforcement Efforts:** Police and armed forces seized over 10.5 mt of cocaine base, nearly double the 1993 total. Nearly 6 mt was seized by armed forces, of which about three quarters was based on information provided by police. Seizure of over three tons in a single raid at an airstrip in the Manu national park in February was the largest single seizure in

Peru in 1994. An additional 93.7 kgs of refined cocaine was also seized in 1994. In January 1994, at GOP request, Colombian authorities arrested major Peruvian trafficker Demetrio Limonier Chavez-Penaherrera (aka "Vaticano"), who lived in Cali for much of 1993, and returned him to Peru. He was tried by a military court and is serving a 30-year sentence; other members of his family organization are also serving prison terms. Assets valued at over \$5 million were seized following Vaticano's arrest. Overall, Peruvian law enforcement agencies made over 6,586 narcotics-related arrests, a third of which was for trafficking offenses. The air force maintained detachments to control 16 legal airports in coca regions, and blocked over two dozen clandestine airstrips using expired air munitions. In addition to joint operations involving one or more armed services and police, there are now several instances of joint service counternarcotics bases at which police or air force counternarcotics personnel are located on army or navy installations in less secure areas. DINANDRO continued to develop its "intelligence group," which with USG support and DEA liaison assistance now has field offices in six locations outside Lima to pursue investigations of major trafficking organizations.

The GOP continued to augment resources devoted to counternarcotics. Two transport and three utility aircraft were assigned to the police aviation directorate for counternarcotics and other missions; nine boats were purchased for police river drug patrol use; fax machines and other equipment were provided by the GOP for drug police.

The USG's suspension in May of radar data sharing to the Peruvian Air Force (due to legal concerns regarding the use of force) essentially halted air interdiction efforts for the balance of 1994. On December 8, however, under the terms of legislation approved by the US Congress in August, President Clinton determined that US cooperation could resume.

The cumulative impact of enforcement efforts disrupted several major trafficking organizations, significantly increased costs and risks of their activities, and disrupted the illegal agro-industry sufficiently to impair the confidence of coca farmers in several areas. This is the key economic impact sought at a strategic level from enforcement to support alternative development cocaine supply reduction goals in Peru.

**Corruption:** As a matter of government practice or policy, the GOP does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, nor the laundering of proceeds from illegal drug transactions. No senior official of the GOP is known to engage in, encourage or facilitate the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions.

Corruption is a pervasive individual, but not an institutional phenomenon in Peru. Specific instances of formal GOP action against official corruption are often difficult to corroborate. Police and armed forces officials have faced disciplinary action for drug-related corruption, in military and civilian courts. An illustrative listing of cases published by the media (none known to be contradicted by other available information) is as

follows: Army Gen. Jaime Rios Araico, political-military commander for the Huallaga front in 1991, was under investigation by a civilian criminal court, and has been convicted in a civilian court for his alleged association with "Vaticano" and other drug traffickers. Army Gen. Eduardo Bellido Mora, Huallaga front commander in 1992-3 and currently military attache in Israel, is under investigation by a civilian court.

On December 14, the army public information office published a communique which stated that the army inspector general had investigated approximately 200 cases of alleged corruption that resulted in disciplinary action up to dismissal from service, and described a series of measures to prevent corruption or identify and punish corrupt army personnel, ranging from assignment of additional officers to inspector general offices and earlier entry of the inspector general in cases of alleged corruption, to enhanced personnel benefits for persons serving in coca producing emergency zones that are the most exposed to corruption.

A senior Huallaga front staff officer told a US official that over 40 army personnel in the Huallaga front were disciplined for drug-related corruption in 1994. Three DINANDRO lieutenant colonels were cashiered for malfeasance in handling the "Vaticano" case. The Interior Minister announced that 15 police were discharged for various irregularities relating to drug cases. A judge in Ayacucho ordered the arrest of 21 police for drug trafficking; the Attorney General (Fiscal de la Nacion) appointed a special prosecutor to investigate alleged police and military corruption in the Ayacucho region. In Tingo Maria, 31 special operations police were convicted, partly on the basis of testimony from their superiors, on drug trafficking charges in civilian criminal court. Three police radio operators who provided information to drug traffickers were under investigation; two are in custody, a third is a fugitive. In a public ceremony in Huamanga (Ayacucho), 27 police were discharged for drug trafficking or corruption.

There was almost continuous coverage all year of stories on alleged drug corruption, including allegations by former army officers, charges of police malfeasance or corruption, and stories of corrupted small military units in drug areas.

**Agreements and Treaties:** Peru has been party to the 1988 UN Convention since 1992. It is also a party to the 1961 Convention, the 1972 Protocol, and the 1971 Convention. It has bilateral agreements with the US on chemical control, money laundering/cash transactions (Kerry Amendment), and tax information exchange. Pursuant to the 1988 Convention, the GOP considers its existing 1900 bilateral extradition treaty with the US to cover drug trafficking offenses as extraditable offenses. The GOP has signed bilateral narcotics control project agreements with the USG annually. Peru is a member of the UN Commission on Narcotic Drugs, and OAS/CICAD, where in 1994 the GOP chaired a working group on alternative development. In April, the GOP concluded a subregional cooperative agreement with Argentina, Bolivia, Chile and UNDCP. Peru has bilateral drug cooperation agreements with most neighbors and with major European states. In 1994, it signed new agreements with Colombia and Guatemala.

**Cultivation/Production.** In addition to the coca and poppy production discussed above, there is small-scale cultivation of cannabis in several areas, for individual consumption or local retail sale. Production of pharmaceuticals is not subject to adequate control and commercial sale, but illicit traffic and abuse do not appear to be major problems. There was no use of aerially-applied herbicides for narcotics control purposes in Peru in 1994. President Fujimori continues to oppose eradication of mature coca plants until foreign donors provide greater levels of alternative development aid to the peasants who grow coca as a cash crop.

**Drug Flow/Transit.** There were indications in 1994 of significant traffic in coca leaf and cocaine products across the border from Bolivia near Lake Titicaca. Its extent is not known, but its scale is not significant compared with drug production and export by Peru.

**Domestic Programs/Demand Reduction.** There is growing awareness of cocaine abuse and concern over quality of drug education and treatment. In a recent non-governmental survey, a significant number of respondents reported abuse of some form of processed cocaine. The most active drug education/demand reduction agency is the USAID-supported non-governmental organization CEDRO (Center for Information and Education Against the Abuse of Drugs). Education Ministry drug awareness material is incorporated in primary and secondary school curricula, and its technical committee on drug abuse prevention (COPUID) is taking a more visible role as a policy advocate for drug awareness and prevention on a government-wide basis.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG goal is to reduce, and ultimately eliminate, production of cocaine, by developing an autonomous GOP institutional capability to define and implement a comprehensive counternarcotics strategy. This goal coincides with the goal of the GOP national drug plan, except with regard to long-term implications of GOP policy on domestic licit use of unprocessed coca.

**Bilateral Cooperation (accomplishments).** The GOP is implementing the bilateral chemical control agreement. The USG made no requests for drug-related cooperation under other agreements including cash transactions, tax information exchange and extradition. The USG has not sought to negotiate a new extradition treaty nor a mutual legal assistance treaty. The current narcotics control project agreement entered into force on August 29, 1994; negotiation for FY-95 will begin shortly; at GOP request, it will include a formal review of bilateral cooperation to date, and review of the bilateral narcotics control agreement of May 1991. There was no USAID-funded alternative development project in 1994; there has been no US grant military assistance since 1992.

**Road Ahead.** Regardless of means or resources, eliminating an illegal industry of the scale and geographic scope of the Peruvian cocaine industry in the near term is not possible. However, this must be Peru's long term objective. Realistic objectives for 1995 are: (1) the GOP will complete essential implementing plans under its national plan; (2) GOP enforcement programs will have an observable impact to disrupt additional major trafficking organizations identified as targets; (3) alternative development projects financed by the USG, other donors or the GOP (with, to the extent relevant, IFI-funded infrastructure support) will result in identifiable cases of farmers who abandon coca in favor of other crops; (4) the GOP will destroy all poppy encountered, and eradicate new coca in seedbeds intensively enough to check expansion in the Aguaytia valley; (5) GOP efforts against drug-related corruption will increase, and begin to be perceived by the armed forces and police as a serious, enduring commitment to eliminate such corruption.

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**Statistical Tables**

<b>TABLES for CY</b>		<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>
<b>COCA /a</b>						
Harvestable Cultivation	[ha]	108,600	108,800	129,100	120,800	121,300
Eradication*	[ha]	0	0	0	0	0
Cultivation	[ha]	108,600	108,800	129,100	120,800	121,300
Potentially harvestable leaf	[mt]	165,300	155,500	223,900	222,700	196,900
<b>Seizures</b>						
Coca Leaf	[mt]	25.19	-	25	5.95	38.52
Paste	[mt]	**	7.7	0.75	1.07	-
Cocaine HCl	[mt]	0.09	0.47	0.23	0.76	-
Cocaine Base	[mt]	10.48	5.3	6.7	4.41	-
Total Cocaine HCL/Base/Paste	[mt]	10.57	5.77	6.93	5.17	8.50
Aircraft	items	4	13	7	10	-
<b>Arrests</b>		6,586	4,824	3,707	2,055	-
<b>Labs Destroyed</b>						
Base		21	38	88	89	151
<b>Domestic Consumption</b>						
Coca leaf	[mt]	10,000	10,000	10,000	10,000	10,000
<b>Users (thousands)</b>						
Coca		3,000	3,000	3,000	3,000	3,000
Cocaine		-	-	-	-	-
Other Coca		-	-	-	-	-

\* In 1994, Peruvian authorities report destroying 74,399 square meters of seedbeds, equal to 4,959.9 hectares of mature cultivation.

\*\* In 1994, only a combined figure of 10,540.8 kgs of coca paste and cocaine base was reported.

(a) Hectareage data for previous years has been corrected to more accurately reflect Calendar Year rather than Fiscal Year. Some adjustments in hectareage were also necessary to correct previous errors in displaying gross rather than net cultivation.

(b) Production data for previous years has been recalculated at the rate of 1:1.14 metric tons/hectare rather than 1:1.0 or 1:03 metric tons per hectare. Conversion ratios for leaf -to-HCl range between 322:1 and 345:1.

(c) Not broken down into Base and HCl in previous years.

*Note: The Government of Peru eradicated 19.7 hectares of opium poppy and destroyed an additional 5,300 plants in 1994. There is no known significant consumption of heroin in Peru.*

## URUGUAY

### I. Summary

Uruguay is an important financial center within the Southern Cone of South America. Economic stability, unrestricted currency exchange and strict bank secrecy laws and tax advantages have made the country a haven for Argentine and Brazilian investors. These conditions create the potential for large-scale money laundering, although USG law enforcement agencies have uncovered only a few such cases. Previous investigations undertaken in South America show that Colombian drug trafficking cartels have laundered money in Uruguay. The country's location also makes it a natural transit point for drugs transported between Argentina and Brazil as well as to the US and Europe. In 1994, narcotics abuse, trafficking, and money laundering were viewed as increasingly important problems in Uruguay. On the other hand, cultivation of drugs and production of precursor chemicals are not problems in Uruguay. The Government of Uruguay (GOU) has cooperated with the USG on a number of narcotics investigations and control programs. Uruguay is a party to the 1988 UN Convention.

### II. Status of Country

Economic stability, unrestricted currency exchange, and longstanding bank secrecy laws have made Uruguay an attractive location for bank deposits primarily for Argentines and Brazilians. These conditions may also facilitate drug money laundering, but there is little information to determine the extent. Uruguayan law requires that banks and exchange houses record all transactions in excess of \$10,000. The central bank, however, does not monitor or review the activities of financial institutions, including the exchange houses. Previous investigations and trials with the cooperation of Uruguayan authorities have shown that Colombian drug cartels laundered money in Uruguay. Money laundering itself is not a crime under Uruguayan statutes, unless the launderers acted as accessories to crimes recognized under the law, such as narcotics trafficking. In 1994, the Uruguayan parliament considered a comprehensive updated version of the 1974 counternarcotics law which included anti-narcotics money laundering language. Although approved by the Senate, this legislation did not reach a vote in the lower house.

### III. Country Actions Against Drugs

**Policy Initiatives.** Legislation to regulate narcotics money laundering failed to reach the floor of the Chamber of Deputies before the conclusion of the parliamentary session in mid-October, 1994. The USG-supported Joint Information Coordination Center (JICC), which includes the Counternarcotics Police, the Coast Guard, and the Customs Service became operational in late 1994.

**Accomplishments.** Uruguay's senate ratified the UN Convention in September, 1994, completing Uruguayan legislative action; thus, the only pending step is the deposit of the instrument of ratification. A program and timetable to meet the Convention's objectives will be prepared

by the incoming Sanguinetti Administration. The GOU has approved all recent USG narcotics-related extradition requests (however, Uruguayan judges refuse to grant extradition requests based on money laundering alone, because money laundering is not a crime in Uruguay, unless tied to certain crimes specified under the law). The GOU also has approved Argentine extradition requests for narcotics traffickers. A counternarcotics assistance treaty with the UK entered into force January 20, 1994.

**Law Enforcement Efforts.** Uruguayan law enforcement agencies are ill equipped, underpaid, and poorly trained to implement aggressive law enforcement operations against narcotics trafficking. In a reaction against human rights abuses during the military dictatorship, the courts and the GOU strictly respect privacy rights. According to GOU sources, Uruguayan authorities in 1994 charged 89 persons with drug crimes and seized only about 31 kilos of marijuana, 19.5 kilos of cocaine, 142 grams of coca leaf, and twelve marijuana plants.

**Corruption.** Uruguay's ethics law for public officials (Ley Cristal) represents an effective deterrent against corruption. However, low salaries for lower ranking officials presents a potential for corruption. In addition, each police officer or customs agent is held personally responsible for damages related to official actions -- which serves as a further impediment to vigorous enforcement of anti-narcotics laws and regulations. As a matter of government policy, the GOU does not encourage or facilitate in any way illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. There is no evidence that any senior GOU official engages in drug production or distribution or money laundering.

**Agreements and Treaties.** The USG and the GOU have a valid extradition treaty signed in 1973. The US-Uruguay MLAT entered into force in May, 1994. Similar bilateral legal assistance agreements signed with Spain, the UK, and Brazil are still under consideration by the Uruguayan parliament. The Uruguayan Senate ratified the 1988 UN Convention in September, completing the domestic ratification process. Uruguay will formally become a party to the Convention upon deposit of its instrument of ratification. Uruguay is a party to the 1961 Convention, the 1972 Protocol, and the 1971 Convention.

**Drug Flow/Transit.** Seizures of cocaine in Uruguay and testimony of traffickers regarding their routes and plans for distribution demonstrate that drug traffickers are increasingly using Uruguay as a transit point for shipments of illegal drugs. In one case, three Nigerian citizens who boarded an Aeroflot flight in Montevideo were arrested in Moscow for cocaine possession.

**Domestic Programs.** Private organizations and local governments are responsible for implementing almost all demand reduction and drug treatment programs in Uruguay. Lacking adequate funding, the National Commission for the Prevention and Repression of Illicit Traffic and Abuse of Drugs, which coordinates the GOU's drug strategy, has been unable to organize a nationwide demand reduction program. Under the FY-93/94 USG-GOU narcotics bilateral assistance agreement, there is funding for a demand reduction pilot program for Montevideo and the interior. In 1994,

at the instance of First Lady Julia Pou de Lacalle, the GOU established the first public drug treatment facility which, when it becomes operative, will provide residential treatment for 30 drug addicts.

#### **IV. USG Policy Initiatives and Programs**

**USG Goals and Objectives.** The USG counternarcotics effort in Uruguay focuses on money laundering, drug transit, demand reduction, and precursor chemical control. The GOU's reception of the US MLAT implementation team and the GOU's preparation prior to the visit demonstrated the GOU's willingness to cooperate with the USG on law enforcement issues. The JICC began operating in 1994 and will increase the capability of the US and Uruguay to exchange information as the system expands to encompass additional GOU agencies and locations.

Uruguayan law enforcement agencies continue to focus more of their intelligence collection efforts on drug trafficking. GOU police units who have attended USG law enforcement training courses have made several arrests of international narcotics traffickers. However, GOU agencies have not made large seizures of illegal drugs to accompany the arrests. The GOU has cooperated with the USG on the goals and objectives of the bilateral narcotics agreement.

**Road Ahead.** The inauguration of a new administration in March, 1995 provides a unique opportunity for Uruguay to join with other nations of the region which have already declared money laundering to be a criminal offense. Efforts are needed to convince a larger segment of the GOU and the Uruguayan public that narcotics trafficking and drug abuse pose serious threats to Uruguay's society. Primarily because of other economic and political problems in Uruguay, the GOU and the public in general thus far have focused only limited attention to the growing threat posed by illegal drugs.

## VENEZUELA

### I. Summary:

Venezuela is a major transit country for drugs produced in Colombia and destined for the US and Europe. It is also a bridge for essential chemicals used by the Cali drug mafia to process cocaine. Venezuela has succeeded in containing its 1994 illicit crop cultivation. The Venezuelan government cooperated with the USG in locating and aerielly eradicating with herbicides about 1,100 hectares (ha) of opium poppy and coca in the Sierra de Perija region. However, drug traffickers and insurgents from Colombia regularly operate along Venezuelan borders. Incidents of corruption have shaken public confidence in the Venezuelan judicial system and other democratic institutions.

President Rafael Caldera took office in 1994; he replaced the interim President Ramon J. Velasquez, elected by Congress to complete Carlos Andres Perez' suspended term. Former President Perez is on trial under house arrest on charges of embezzlement. Weaknesses in the Venezuelan judicial system were evident when the interim president erroneously pardoned a convicted narcotics trafficker, and a judge released all defendants in a major money laundering case. Drug seizures by Venezuelan law enforcement agencies increased significantly in 1994. Legislation which would strengthen sanctions against money laundering has been pending in the Venezuelan Congress since 1993.

The Government of Venezuela (GOV) ratified in 1990 the 1988 UN Convention, with reservations on its extradition provisions.

### II. Status of Country:

The narcotics threat against Venezuela has broadened to include illicit drug crop cultivation. With USG technical assistance, the Venezuelan National Guard (GN) identified and destroyed 1,100 hectares (ha) of coca and opium poppy.

Colombian cocaine, and some heroin, transships Venezuela concealed in containerized shipments on private and commercial maritime vessels and on aircraft. Increased seizures of cocaine and heroin by Venezuelan law enforcement agencies suggest both better enforcement and increased use of Venezuela by traffickers. There was an increase in seizures abroad of cocaine which had passed through Venezuela, mainly discovered in multi-ton loads concealed in legitimate cargo.

Traffickers smuggle essential chemicals through Venezuela to Colombia via major ports and on Venezuela's road and river systems. Venezuela has not yet established chemical control guidelines that would bring it into compliance with the 1988 UN Convention. The USG worked with the Venezuelan government to include conspiracy provisions in legislation, bringing the country into compliance with the 1988 UN Convention. The GOV has criminalized narcotics trafficking, possession, and processing.

Venezuela has a growing drug consumption problem. There are plans to conduct a nationwide epidemiological survey to determine the scope of the problem. Data from the survey will be used to design future rehabilitation and abuse prevention programs.

### III. Country Actions Against Drugs in 1994:

**Policy Initiatives.** Venezuela has signed annual narcotics control agreements with the USG since 1987, and cooperates with neighboring countries in law enforcement efforts. However, the Venezuelan government lacks a comprehensive narcotics strategy which establishes counternarcotics goals and objectives and which unites the country's fragmented law enforcement agencies to confront the drug problem. President Caldera appointed in May a new director of the National Drug Commission (CONACUID); in August, he submitted a draft national drug control strategy for presidential approval.

The USG provides counternarcotics assistance to the Venezuelan National Guard (GN), the Judicial Technical Police (PTJ), the Intelligence Service (DISIP), the Venezuelan Coast Guard, and voluntary anti-drug organizations involved in demand reduction. The GOV completed two radar facilities in the Caribbean Basin Radar Network (CBRN) and repaired several elements of its national air defense system. The Ministry of Justice prison reform project augments the Administration of Justice program and the World Bank Judicial Infrastructure Project. The USG worked with law enforcement authorities to dismantle trafficking organizations tied to the Cali drug mafia. However, lower level corruption in the GN limited the effectiveness of USG counternarcotics efforts.

**Accomplishments.** The government located and eradicated about 1,100 ha of illicit poppy and coca in the Sierra de Perija region bordering Colombia. The authorities applied the herbicide glyphosate to the illicit drug crops, using INL-provided Turbo Thrush spray aircraft. At the same time, a GN task force manually eradicated 26 ha of coca and 86 ha of opium poppy.

The GOV's 1993 narcotics law increased criminal penalties to 15-25 years imprisonment for narcotics offenses. It also increased punishment for public officials charged with such crimes. The law criminalizes money laundering associated with narcotics trafficking, and requires banks to maintain records that are available to law enforcement authorities. However, the law falls short of 1988 UN Convention standards by failing to criminalize money laundering as a stand-alone crime; it also lacks conspiracy provisions. Venezuela has enacted laws providing for the forfeiture of property connected with drug trafficking. Additionally, Venezuelan law allows for such property to be used for anti-narcotics efforts. The USG has not made any forfeiture-related legal assistance requests to Venezuela in the past year. The Venezuelan government in a 1992 case-specific asset sharing agreement received \$1.3 million.

The GN, with USG assistance, investigated and arrested over 35 money launderers connected to the Cali drug mafia, but a corrupt judge dismissed the arrest warrants. The Venezuelan Supreme Court overturned the initial decision and reopened the case. A re-arrest and prosecution of these money launderers would demonstrate the Venezuelan judiciary's ability to carry out its responsibilities.

The Venezuelan national constitution prohibits the extradition of Venezuelan nationals to other countries. Venezuela reserved its acceptance of the extradition articles of the 1988 UN Convention in its 1990 ratification. The 1993 narcotics law does not change the extradition law, but does provide for the expulsion of foreign nationals convicted of narcotics offenses. An extradition treaty has been in effect with the USG since 1923, but extradition requests from the US have rarely met with success.

The GOV cooperates with legal assistance requests from other governments. In 1994, Venezuela expelled seven criminals to Italy, some of whom were charged with narcotics offenses. A US Coast Guard cutter detained four Colombians on a Venezuela-registered vessel loaded with 900 kilograms (kg) of cocaine. However, the GOV delayed two weeks in asserting its jurisdiction. The two-week delay inhibited the functioning of the 1991 Maritime Law Enforcement Agreement.

The 1993 narcotics law broadens the Venezuelans' authority to control all essential chemicals listed in the Vienna Convention, but the chemical control system still is inadequate. In one successful example, raids against Holland Chemical International offices induced the company to agree to stop importing certain precursor chemical into Venezuela, including acetone and toluene.

**Demand Reduction.** The USG and Venezuela signed a Memorandum of Understanding in March 1992 to build public support for joint counternarcotics programs under which the USG supports demand reduction programs conducted by various agencies. The USG and Venezuela in 1994 signed an agreement for CONACUID to conduct a nationwide epidemiological survey. It will determine the direction of new GOV rehabilitation and prevention of drug abuse programs.

**Law Enforcement Efforts.** Law enforcement cooperation continued between the USG and the Venezuelan PTJ, GN, and DISIP, with an increase in cocaine seizures, but a slight decrease in heroin seizures. Cocaine seizures in 1994 totalled 5.1 mt, and cocaine base (basuco) 1.6 mt, up from 2.0 mt of cocaine and 1.3 mt of basuco in 1993. The 1994 amount of 15.7 kg of heroin is down from the 1993 rate of 18.0 kg. Police arrested 3,600 persons in 1994, down from 5,100 in 1993. Police authorities in other countries, including the US, seized over 30 mt of narcotics which traversed Venezuelan ports, concealed mainly in legitimate cargo.

**Corruption.** Corruption has hindered effective counternarcotics efforts. While the 1993 narcotics law strengthened criminal sanctions against corruption by public officials, including judges, there have been few successful prosecutions, reflecting the corrupting influence of the traffickers. The GOV does not, as a matter of policy, encourage illicit production or distribution of drugs or the laundering of drug money. The Venezuelans are seeking to use the funds for police training purposes. A convicted narcotics trafficker, Larry Salvador Tovar Acuna, fraudulently obtained in October 1993 a pardon from interim President Velasquez. Nine persons, including eight government officials, were arrested following investigations revealing that Tovar's family bribed officials to expedite the pardon. The USG and Venezuela have filed extradition requests with the Colombian government for Tovar Acuna. In 1994, prosecution of the money launderers tied to the Cali drug mafia was stalled by suspected judicial corruption.

**Cultivation/Production.** The USG and Venezuela cooperated during 1994 in a comprehensive aerial eradication project, destroying 1,100 ha of coca and opium poppy crops in the Sierra de Perija region of Zulia state near the western border with Colombia. The Venezuelan GN also participated in overflights to identify more illicit crops and processing facilities in the states of Tachira, Apure, Amazonas, and elsewhere in Zulia state. The Venezuelan government formally authorized the use of glyphosate to eradicate all illicit drug crops.

**Agreements and Treaties.** Venezuela is a party to the 1961 UN Convention on Narcotic Drugs, as amended, the 1972 UN Convention on Psychotropic Substances, and the 1988 Vienna Convention. The GOV has signed the Inter-American Convention on Mutual Legal Assistance. Not yet in force, the Convention provides for multilateral mutual legal assistance in Latin America. The GOV also participates actively in the deliberations of the OAS Money Laundering and Chemical Control Task Forces. Venezuela has entered into bilateral agreements with Colombia and other neighboring countries on law enforcement cooperation. Venezuela has signed annual narcotics control agreements with the USG since 1987. Venezuela continues to generally meet the goals and objectives of narcotics control agreements, with vigorous performance in eradication, but needs to focus on effective implementation of agreements in maritime law enforcement and chemical and money laundering control. Prosecution of corrupt officials, covered under bilateral agreements, also requires more GOV attention.

**Drug flow/transit.** Illicit drugs are shipped overland from Colombia to Venezuela. Couriers carry small loads across the border, while larger traffickers conceal their shipments in containerized cargo. Evading law enforcement, they ship them by sea to the US and Europe through Venezuela's poorly monitored ports and by air through poorly monitored airports or airstrips.

#### **IV. US Policy Initiatives and Programs:**

**Policy Initiatives.** The USG's international narcotics control policy is designed to strengthen the GOV's ability to conduct counternarcotics and anti-money laundering operations, to develop a national drug control strategy, and to bolster the Venezuelan legal system's capacity to prosecute cases. Key to the success of the program is the extent of support from the government leadership for taking stringent measures against traffickers.

**Bilateral Cooperation.** USG counternarcotics assistance has focused on enhancing the investigative and operational capabilities of the GN and the PTJ. The USG has provided training, equipment, and vehicles. The USG continues to provide support to the GN's detector dog school, which contributes to regional training initiatives. US Customs presented a contraband enforcement training program to the GN in 1994. Judicial and prison reform projects began this year. There were also continued efforts to develop greater public concern about narcotics trafficking and money laundering.

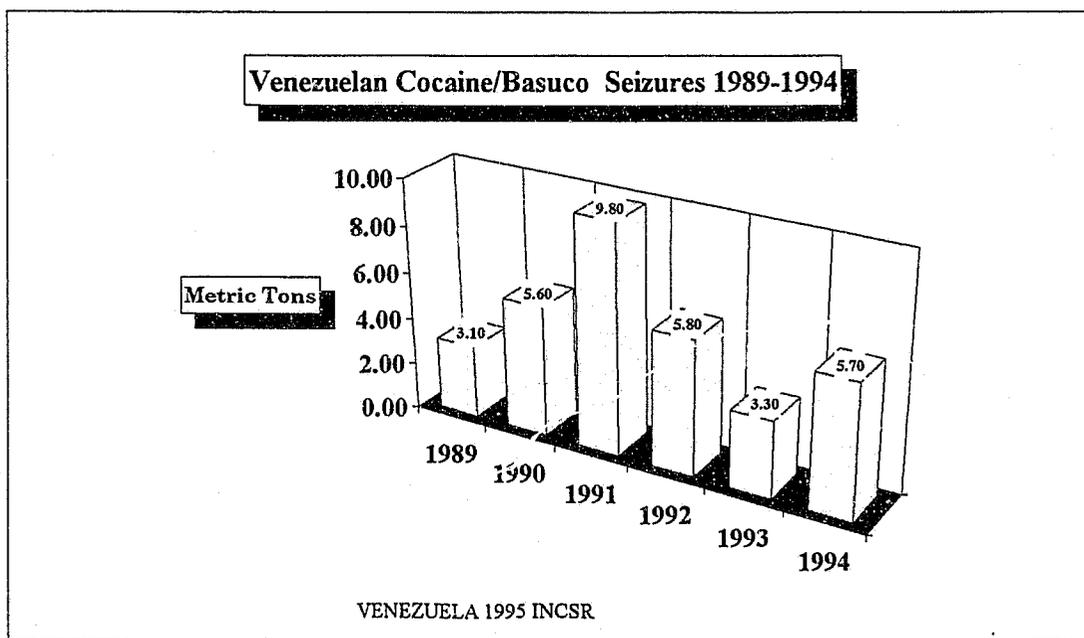
Venezuelan control of its airspace is critical to curbing the narcotics trafficking to the US and Europe. Effective use of the two new CBRN radar units and Venezuela's own air defense system would enhance actions against narcotics trafficking aircraft.

**The Road Ahead.** Successful eradication, increased seizures, and active investigative work indicate that USG programs are improving Venezuelan capabilities. The USG will continue to pursue the development of a national drug control strategy, reforms of the judicial system, and improvements in the prison system. With increased resources from the Caldera administration, Venezuela's counternarcotics effectiveness should improve. Emphasis should remain on adopting a national counternarcotics strategy, establishing Venezuelan control over its borders and airspace, reducing money laundering, reforming the judiciary, and curbing official corruption.

Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>COCA</b>						
Cultivation	[ha]	<i>unk</i>	<i>unk</i>	101	101	-
Eradication	[ha]	70	-	-	-	-
<b>OPIUM</b>						
Harvestable Cultivation	[ha]	<i>unk</i>	-	-	-	-
Eradication	[ha]	920	-	-	-	-
Cultivation	[ha]	<i>unk</i>	-	-	-	-
<b>CANNABIS*</b>						
Harvestable Cultivation	[ha]	*	*	*	*	1,405
Eradication	[ha]	107	-	-	21	95
Cultivation	[ha]	<i>unk</i>	-	-	-	1,500
<b>SEIZURES</b>						
Cocaine HCl	[mt]	4.5	2	4.19	8.7	3.9
Other Cocaine (Basuco)	[mt]	1.2	1.3	1.61	1.1	1.7
Marijuana	[mt]	10.00	1.00	2.61	3.67	40.0
Total cocaine products	[mt]	5.70	3.30	5.80	9.80	5.60
Heroin	[mt]	0.015	0.018	0.006		
<b>ARRESTS</b>						
Nationals		-	-	812	2,383	476
Foreigners		-	-	210	525	248
<b>Total Arrests</b>		3,600	-	1,022	2,908	724

\* We have no firm figures on Venezuelan cannabis cultivation. Although in previous years, gross cultivation has been estimated at approximately 1500 ha based on Venezuelan estimates from the late 1980's, the actual figure may be considerably lower. An aerial survey conducted in January 1992 by INM pilots located no more than 300 ha which straddle the Colombian border. Until the USG is able to conduct a more formal survey, the extent of cannabis cultivation in Venezuela remains an open question.





**CANADA, MEXICO  
AND  
CENTRAL AMERICA**



## **BELIZE**

### **I. Summary**

Belize's uncontrolled coast and large interior give it the potential to be a significant transshipment point for cocaine moving from South America to the United States. It is a limited producer of marijuana. The Belizean police and the Belize Defense Force (BDF) cooperate with USG officials on counternarcotics efforts, and the Government of Belize (GOB) recognizes the problem of drugs transiting through its territory and the contribution drug trafficking makes to domestic crime. However, the GOB does not give high priority to antidrug efforts. Belize has not acceded to the 1988 UN Convention.

### **II. Status of Country**

Contiguous borders with Guatemala and Mexico, dense unpopulated jungle, a long unpatrolled coastline, numerous inland waterways, and a rudimentary drug control infrastructure make Belize a potentially significant cocaine transshipment point. Existing intelligence on trafficking, although sparse, suggests that Belize -- especially its air space and maritime territory -- may be a significant transit area for cocaine. The withdrawal of British Forces from Belize in October, 1994 removed a major deterrent to drug trafficking through this largely uncontrolled territory.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** The GOB's agreement with the USG concerning maritime counterdrug operations is considered to be a model for this type of agreement. In September, the U.S. Coast Guard conducted its first ship visit under this agreement and returned in December for a training mission.

**Accomplishments.** The activities of Belize's primary counternarcotics unit, the Serious Crimes Squad (SCS), were limited by re-assignment of its members from counternarcotics to crime suppression within Belize City. This shift resulted in limited counternarcotics coverage in rural districts. In March 1994, the police, assisted by DEA, arrested two of the country's biggest cocaine traffickers and seized approximately 115 kgs of cocaine. In December, the traffickers were released because of "weak evidence".

Belize has almost no industries requiring cocaine-essential chemicals, and there is no evidence of chemical diversion.

An investigation by DEA and Belizean police resulted in two seizures totaling 636 kgs of cocaine in January 1995. The lift those busts gave counternarcotics efforts was offset in part by the GOB's decision to prohibit, for environmental reasons, aerial eradication of cannabis.

**Money Laundering.** Although money laundering is considered a major potential problem in Belize, the country has no laws that criminalize money laundering or regulate the movement of currency. Belizean law allows unrestricted use of bearer-negotiable instruments to conduct financial transactions. Over 1,000 companies are registered under the International Business Companies act (IBC). The Bank of Belize revealed that a significant increase in the amount of U.S. dollars was exported from Belize to correspondent banks. While there is no evidence that Belize is currently an active money laundering location, loose regulations governing off-shore investments are of concern. Belize's asset seizure procedures are cumbersome and little used in drug cases. The Financial Investigation Unit that was initiated in 1993 ceased operations in 1994 because of a lack of funding.

**Law Enforcement Efforts.** The GOB considers crack cocaine its biggest drug problem, primarily because of the threat it poses -- via crime -- to the tourism industry. However, targeting of major cocaine traffickers by the GOB has not been a priority. The police lack the equipment, training, and staffing to actively target major trafficking organizations.

**Corruption.** The GOB has not focused systematically on combatting possible official corruption. Contrary to past predictions, anti-corruption legislation was not established in 1994. There is no evidence that the GOB encourages or facilitates illicit production, distribution, or transit of drugs as a matter of policy. Occasional allegations of official involvement in drug trafficking remain unsubstantiated.

**Agreements and Treaties.** Belize is party to the 1961 Single Convention and the Protocol thereto, but has not acceded to the 1988 UN Convention. Extradition with the U.S. is governed by the 1972 U.S./UK treaty, which remained in effect after Belizean independence.

**Cultivation/Production.** Belizean police conduct manual eradication of modest fields of marijuana, the only drug produced in Belize. The GOB relies on temporary deployments of INM aircraft to perform the bulk of aerial reconnaissance of cannabis cultivation. In January 1995, the GOB withdrew permission for aerial eradication, citing environmental concerns. INM eradication aircraft were deployed in Belize at the GOB's request when the policy change was announced.

**Drug Flow/Transit.** A number of factors make Belize an attractive site to transship illicit drugs moving north from South America. Belize has 200 miles of coastline protected by a barrier reef, 200 cays, numerous airstrips, two deep water ports servicing containerized cargo, and land borders with Guatemala and Mexico. The GOB has neither effective maritime enforcement, nor radar capability.

**Demand Reduction.** The National Drug Abuse Council (NDAC) maintains six offices to provide education on prevention, alternatives to drug use, research and information, legal reform, and treatment and rehabilitation. Through its six district coordinators, NDAC maintains extensive outreach programs in schools and rural communities nationwide. Work continues on the development of a management information system to track the extent of the drug problem.

#### IV. U.S. Policy Initiatives and Programs

**Policy Initiatives.** U.S. strategy in Belize has been to assist the GOB in developing a sustainable infrastructure that will allow it to effectively combat its drug problems. In addition to equipment and training for the SCS, Joint Information Coordination Center (JICC), and BDF, the USG supports marijuana eradication and drug interdiction.

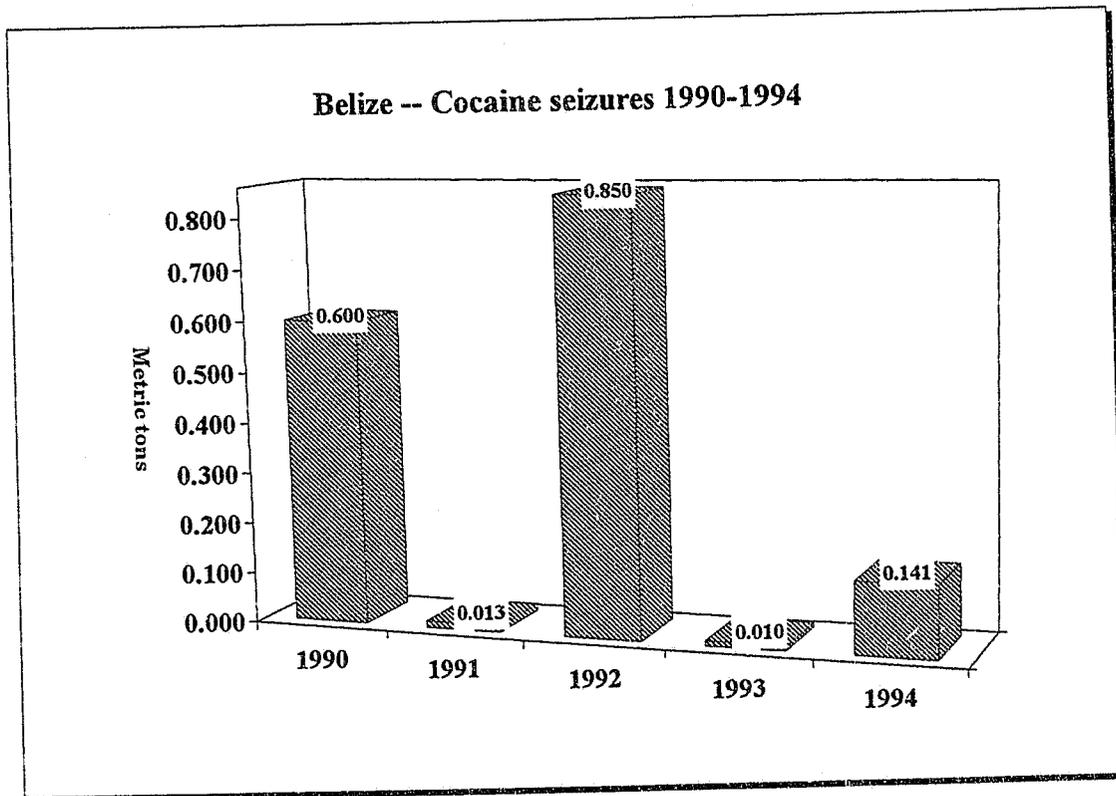
**Road Ahead.** Faced with the potential of becoming a substantial drug transit point, Belize will resist drug trafficking primarily through the efforts of the Belize police force supported by the Belize Defense Force. These groups will need USG assistance to continue developing counternarcotics capability. Belize's ability to prevent a resurgence in cannabis cultivation will be severely tested by relying solely on manual eradication teams in light of the January 1995 decision to prohibit aerial eradication.

BELIZE 1995 INCSR

Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>Cocaine HCL</b>						
Seized	[mt]	0.141	0.010	0.850	0.013	0.600
<b>Cannabis</b>						
Harvestable Cultivation	[ha]	unk	unk	unk.	54	67
Eradication [a]	[ha]		89	51	266	333
Cultivation [b]	[ha]	unk	49	unk	320	400
Seized in country	[mt]	5	93	52.00	0.79	0
<b>Users (thousands)</b>						
Marijuana		unk	unk	unk	unk	unk
<b>Total Arrests*</b>			1,287	1,529	658	-

\* First 11 months of 1993 only.



## CANADA

### I. Summary

Canada remains a conduit for illicit drugs destined for the United States, a destination for drugs imported through the U.S. to Canada, and a popular money laundering point. In February 1994, Canadian law enforcement authorities seized a record five-ton shipment of cocaine in Nova Scotia. The Canadian Parliament, in 1994, drafted a comprehensive counternarcotics bill which expands the number of controlled drugs.

Canada discourages narcotics abuse and trafficking within its borders, and it cooperates closely with the USG and international anti-drug fora to control the illicit drug trade. It is a member the Financial Action Task Force, the Dublin Group and the UNDCP. Canada ratified the 1988 UN Convention in 1990.

### II. Status of the Country

Canada enjoys solid institutions, responsive government, a fair judiciary, and competent law enforcement agencies. In this environment, public respect for the law is high, and narcotics abuse, while growing, is still manageable. The Government of Canada (GOC) emphasizes demand reduction, but it also is active in supply control efforts, both within the country and internationally.

Cannabis remains the principal illicit substance of abuse in Canada. Authorities believe that 30 percent of the cannabis consumed is produced locally, up from 25 percent in previous years. Cocaine (including crack) is the second most popular drug. Authorities estimate there are 250,000 cocaine users. GOC authorities are concerned about the growing use of heroin, particularly in the large cities. They estimate there are 35,000-40,000 heroin users.

Canada is a target for drug-related money laundering, due to the openness of its financial system, the high volume of cross-border trade and financial flows between the U.S. and Canada, and the lack of legal reporting requirements for large cash transactions. The USG believes several billion dollars are laundered here each year. Canada has anti-money laundering laws to deter money laundering activity.

GOC authorities believe precursor and essential chemicals are diverted to illicit drug manufacturers, and a portion enters the United States at land border crossing points. This diversion mainly involves precursor chemicals used in the methamphetamine manufacturing processes. Canada has placed a number of precursor chemicals on its export control list, and authorities monitor the trade of these chemicals.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The GOC participates in international antidrug fora, including the Dublin Group, Financial Action Task Force (FATF), the Inter-American Drug Abuse Control Commission (CICAD) of the OAS, and the UNDCP. Canada contributed approximately CICAD in 1994.

**Accomplishments.** The Canadian Parliament drafted a bill to consolidate Canada's drug control legislation in 1994. The bill provides for a comprehensive framework to control the import, export, production, distribution and use of illicit drugs. It provides for seizure and forfeiture of drug-trade derived assets, and expands the number of controlled drugs. It is expected to be voted on in 1995.

The Royal Canadian Mounted Police (RCMP) streamlined its operations to reduce duplication of efforts, and prioritize its anti-narcotics activities to investigate major drug trafficking organizations. A RCMP representative was added to the Maritime Command Operations Center of the Department of National Defense to enhance the Center's ability to detect maritime drug traffickers in Canadian coastal waters.

**Agreements and Treaties.** Canada ratified the 1988 UN Convention in 1990 and it is meeting the Convention's goals and objectives. The USG and GOC have a Mutual Legal Assistance Treaty and an extradition treaty. In August, the U.S. and Canada negotiated an asset sharing agreement under which Canada will be required to share seized and forfeited assets with the USG. The agreement is pending signature to bring it into force. The USG has shared forfeited assets with Canada under the MLAT on several occasions. During 1994, Canada extradited numerous individuals wanted in the United States on drug-related charges.

**Law Enforcement Efforts.** The GOC drug seizure statistics for 1994 are not yet compiled; however, GOC authorities seized a record five-mt cocaine shipment from Venezuela in February 1994. In 1993, authorities seized 2,753 kgs of cocaine, 153 kgs of heroin, 7.3 mt of marijuana and 56.6 mt of hashish. They arrested 10,000 suspects on drug-related charges in 1993. Authorities also seized \$21 million in the first six months of 1994 (\$9 million in 1993).

**Corruption.** Public corruption is not considered a significant problem in Canada. The GOC does not condone drug trafficking or the laundering of drug money. GOC officials are prosecuted as a matter of law and policy, if involved in malfeasance of any kind.

**Cultivation/Production.** GOC authorities believe marijuana is grown for personal use; however, they do not believe any is exported. Law enforcement authorities destroyed 1,200 cultivations of marijuana in 1993.

**Drug Flow/Transit.** Drugs are smuggled into Canada for use in the domestic market and transshipment to the United States. Some illicit drugs destined for the Canadian market come from or through the United States. Heroin arrives in Canada by air, cocaine is transported from South America via air and maritime conveyance, hashish and marijuana by sea and overland. Traffickers use couriers or hide drugs in commercial shipments. They also use international mail.

**Demand Reduction Programs.** Canadian drug strategy focuses on demand reduction. A number of government and non-governmental groups offer drug abuse education to target groups deemed to be at risk of using illicit drugs. In 1994, the GOC developed new drug abuse education materials for the aboriginal communities, to meet their special needs.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** Law enforcement cooperation between the GOC and the USG is excellent. Canadian and U.S. Customs work closely together to control drug smuggling, and share enforcement-generated assets and personnel.

**The Road Ahead.** The key USG objective is to build on already excellent law enforcement cooperation. In 1995, the USG will encourage greater Canadian maritime cooperation in the Caribbean with the U.S., United Kingdom, France, and the Netherlands. The USG also will encourage Canada's continued support and participation in a variety of international fora, including the Dublin Group, FATF, CICAD and UNDCP.

## COSTA RICA

### I. Summary

Costa Rica is a transit point for cocaine and heroin passing from Andean producers to Europe and the U.S. Costa Ricans are alarmed by the growing domestic consumption of cocaine and the crime it produces. Evidence suggests that money laundering activities increased in 1994. On taking office in May 1994, President Jose Maria Figueres made counternarcotics an important national priority. He promoted both improved law enforcement and greater regional cooperation. Although the GOOCR scored several significant seizures of cocaine, it was hampered by a lack of financial resources needed to develop a professional police force and maintain an inventory of aircraft and boats. Costa Rica ratified the 1988 UN Convention in 1991.

### II. Status of Country

Cocaine is smuggled through Costa Rica by small planes, human couriers, speedboats along the coast, and vehicles on the Pan American highway. Limon, the country's busiest port, is a hub for drug smuggling because of its accessibility to Colombia's San Andres island and Nicaragua's east coast. Heroin continues to move through Costa Rica in shipments of a kilogram or more, often hidden on human "mules."

Costa Ricans consistently rate drugs as a top concern and are alarmed by domestic use of crack cocaine, which is cheap, easily obtainable, and engenders crime and corruption. While Costa Rica has adopted a tough anti-drug policy, its law enforcement agencies do not have adequate equipment to deter traffickers effectively.

### III. Country Actions Against Drug in 1994

**Policy Initiatives.** President Figueres has emphasized his determination to deny traffickers the use of Costa Rica as a transit point for drugs. However, his administration's action plan to coordinate counternarcotics among official agencies was not made public in 1994. More vigorous action is needed for the GOOCR to meet more fully the goals and objectives of the 1988 UN Convention. President Figueres was actively involved with the other Central American presidents who committed their governments to joint counternarcotics and police training actions.

**Accomplishments.** In February, GOOCR officials cooperated in a money laundering investigation and raid of an exchange house that allegedly laundered several hundred thousand dollars a day. Later, Costa Rica participated in a hemisphere-wide operation against a Colombian-based money laundering network. In April, Nicaraguan and Costa Rican law enforcement officials cooperated on the interdiction of a speedboat loaded with 650 kgs of cocaine. The GOOCR participated in a joint investigation with DEA which resulted in dismantling a cocaine transportation organization operating in Costa Rica, Europe, and the U.S. In September, the Costa Ricans, suspecting a drug-cash transfer, arrested a U.S. citizen with \$1.6 million that was later discovered to have been from a robbery in the U.S.

**Law Enforcement Efforts.** The Judicial Police (OIJ) maintains a small, professional counternarcotics unit which specializes in international cases. For domestic enforcement, the GOCR strengthened the National Drug Police (PCD). However, low salaries, insufficient training, high job turnover, and limited resources impede formation of a more effective force. A new law to begin the process of police professionalization went into effect in August. The legislature also approved in 1994 a law authorizing court-ordered wiretaps in drug cases. The Joint Anti-drug Intelligence Center (CICAD) improved collection and dissemination of narcotics intelligence and actively participates in the JICC/Sentry program. In December, the National Drug Council (CONADRO) announced it would create 100 community-based demand reduction committees.

**Corruption.** The GOCR states that it is committed to prosecute all cases of official corruption, regardless of the offender's rank. No high-level officials have been linked to drug-related corruption, although allegations of corruption have been directed at a few working level officials and police. At the end of 1994, three OIJ agents were awaiting trial for suspected involvement in a drug-related killing.

**Agreements and Treaties.** In 1993, the Supreme Court of Costa Rica declared the 1982 U.S./Costa Rican extradition treaty "inapplicable." As a result, Costa Rica relies on its domestic extradition law as authority for responding to U.S. extradition requests. During 1994, Costa Rica extradited to the United States seven individuals wanted on drug-related charges, including four Colombian fugitives arrested in the 1992 "Green Ice" sting. Costa Rica's reliance on its domestic extradition law, however, is causing significant problems in the USG/GOCR extradition relationship because of constant changes in internal legal requirements, and the absence of a viable provisional arrest mechanism.

**Cultivation/Production.** Marijuana is the only drug produced in Costa Rica and is used for domestic consumption. Some 800 ha of cannabis are scattered about the Cordillera de Talamanca region on the Atlantic coast. It is also cultivated along the sparsely populated northern frontier.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG goals are to build the institutional capacity of Costa Rican law enforcement agencies to detect and interdict cocaine and heroin shipments, eradicate marijuana production, advance drug awareness programs, and strengthen regional and international counternarcotics cooperation. Specific objectives include additional training for the PCD, professionalization of the counternarcotics police, support for CICAD (JICC), and improvements in operational and maintenance capabilities of the air and maritime sections.

**Bilateral Cooperation.** During 1994, the USG contributed maintenance supplies to the Ministry of Public Security air and maritime sections and surveillance equipment to the OIJ. JICC personnel attended training courses and conferences in the U.S., and DEA sponsored two regional conferences in San Jose on essential chemicals and executive leadership.

**Road Ahead.** The USG seeks close cooperation with the GOCR to curtail the use of Costa Rica as a transit point, to reduce drug use, and to combat corruption and money laundering. The GOCR should continue building its law enforcement institutions to implement effective judicial action against drug traffickers and money launderers. In addition to strengthening its laws on money laundering, the GOCR should shoulder more of the burden in the fight against narcotics. Finally, the GOCR should pursue appropriate steps to reinstate the U.S.-Costa Rica extradition treaty.

## COSTA RICA 1995 INCSR

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**Statistical Tables**

<b>TABLES for CY</b>		<b>1994*</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>
<b>SEIZURES</b>						
Cocaine	[mt]	1.448	0.611	1.8	0.46	1.14
Marijuana	[mt]	0.284	0.100	0.08	0.08	0.13
Heroin	[mt]	0.014	0.01	0.007		
<b>ARRESTS</b>						
Total		575	613	525	628	810
<b>Domestic Consumption</b>						
Cocaine	[mt]	<i>see</i>	<i>see</i>	0.2	0.2	0.2
Marijuana	[mt]	<i>note</i>	<i>note</i>	30.0	30.0	30.0
<b>Users (thousands)</b>						
Cocaine		<i>see</i>	<i>see</i>	2	2	2
Marijuana		<i>note</i>	<i>note</i>	30	30	30

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\* 1994 data covers January - November only.

Data on drug abuse were derived from a survey conducted in 1988 by the Institute on Alcoholism and Chemical Dependency (IAFA). A 1992 study by IAFA indicates that as many as 80,000 Costa Ricans may have used cocaine or marijuana.

## EL SALVADOR

### I. Summary

El Salvador is a transshipment point for cocaine moving from South America to the United States. President Armando Calderon Sol, elected in June, has spoken out forcefully against narcotics trafficking and money laundering, but he has yet to implement a clear antidrug strategy. The antinarcotics unit (DAN) is struggling through the early stages of its integration into the National Civilian Police (PNC) and will not be fully operational until mid-1995. Small amounts of marijuana are grown in El Salvador for domestic consumption. Cocaine use is not widespread but is growing. The USG is not aware of any significant money laundering activity. El Salvador has ratified the 1988 UN Convention.

### II. Status of Country

Its position along an important transit route makes El Salvador vulnerable to exploitation by traffickers. Seizures indicate that significant amounts of cocaine enter El Salvador for transshipment to the U.S. via the Pan American highway, in small planes flying up the Pacific coast, and through maritime ports. This trend was accelerated by reduced law enforcement presence in El Salvador during the transition from the old National Police (PN) to the new National Civilian Police (PNC) that was mandated by the Peace Accord. No discernible money laundering has been detected, but El Salvador's rapidly expanding economy and banking system, its freely traded currency, large remittances from the U.S., and weak judicial system make the country potentially vulnerable.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** This was a year of transition for the GOES and police, especially the antinarcotics unit. After taking office in June, President Calderon Sol was slow to name some key antidrug officials, and he did not establish an effective antinarcotics policy. The GOES did not actively implement counternarcotics measures that had been the subject of legislative action prior to 1994: the transfer of the counternarcotics unit to the PNC and implementation of the country's modern anti-narcotics law.

**Law Enforcement Efforts.** The decline in cocaine seizures from 8.1 mt in 1993 to 400 kgs in 1994 was due primarily to law enforcement problems. The transition from the old PN to the PNC gave the country a better trained professional police force but at the cost of valuable experience. The DAN's capabilities were eroded by disputes among the GOES, the FMLN, and the UN mission (ONUSAL) over how to implement its integration into the PNC. All experienced members of the DAN will be required to train for five to ten months at the new police academy. Most will probably not be returned to the DAN and will be replaced by new officers.

**Corruption.** The Calderon Sol administration has taken a strong public stand against corruption. Two ministers close to the president resigned after accusations of financial wrongdoing. A senior antidrug official resigned due, in part, to allegations of involvement in corrupt schemes. Investigations of possible narcotics-related corruption in the judiciary were underway at the end of the year.

**Agreements and Treaties.** The U.S. has a bilateral extradition treaty with El Salvador, but no narcotics-related extraditions have been requested. The GOES acceded to the 1988 UN Convention in 1993 and passed implementing legislation shortly thereafter, but the GOES has not yet taken significant action to implement these laws.

**Cultivation/Production.** Marijuana for local consumption is the only drug produced in El Salvador.

**Demand Reduction.** The GOES has no major demand reduction programs. A private foundation, Fundesalva, which received funding support from USAID, is considered one of the best in the region at promoting drug awareness.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG is working to increase GOES awareness of the importance of drug control efforts. We are also making a major effort to maintain a functioning antinarcotics unit as the DAN's experienced members pass through the police academy, and new, inexperienced PNC officers and agents are rotated in. DOJ/ICITAP funds an American trainer to provide dedicated narcotics training at the police academy. INM funds a program to train Salvadorans to assume responsibility for counternarcotics training. The USG signed a new agreement in March with the GOES to provide \$129,000 in INM funds for necessary equipment and training.

**The Road Ahead.** The legal foundations for an effective anti-narcotics program are in place. The primary challenge is to increase the political will of the GOES to combat drugs. The secondary challenge is to maintain the morale and the skills of the DAN during its transition into the PNC. The USG will work closely with the new government to implement the terms of the 1988 UN Convention. We will also press to ensure that Calderon Sol and the new Supreme Court adhere to their commitment to combat corruption and reform the judicial system.

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**Statistical Tables**

<b>TABLES for CY</b>		<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>
<b>SEIZURES [a]</b>						
Cocaine	[mt]	0.483	8.163	0.207	3.150	0.156
Marijuana	[mt]	0.160	0.173	0.241	0.073	0.065
<b>ARRESTS</b>						
Total		429	315	217	235	315

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Coca and cocaine: Only a handful of coca plants have been discovered in El Salvador. In recent years, no cocaine labs have been found. While the use of cocaine is not yet widespread, anecdotal reports suggest that it is rising. Crack consumption, however, appears to be limited.

## GUATEMALA

### I. Summary

Situated half-way between Colombia and the United States, Guatemala continues to be a major transit country for cocaine as well as a producer of opium and marijuana. The Government of Guatemala (GOG) recognizes the dangers drug trafficking poses to its society and has developed supply and demand reduction programs. With USG support, specially trained and equipped units of the Guatemalan Treasury Police eradicated 150 ha of opium poppy. Working unilaterally and in cooperation with the USG, the GOG seized 1.9 mt of cocaine in 1994.

### II. Status of Country

With hundreds of unmonitored airfields and a good network of roads leading to Mexico, Guatemala became the Colombian cartels' choice in Central America for cocaine transshipment in the early 1990s. As GOG/USG air interdiction units repeatedly captured light, cocaine-laden aircraft, traffickers shifted to land and sea smuggling.

In the mountainous regions of San Marcos and Huehuetenango, indigenous farmers cultivate opium poppy in small, isolated plots. The continuing insurgency, plus difficulties in communications and logistics, complicate eradication efforts. Nonetheless, GOG ground eradication and U.S.-supported aerial eradication have reduced opium poppy crops to negligible levels. There are no reports of heroin labs in Guatemala. The vast Peten region near the Belize border is the site of cannabis cultivation. Small amounts of cannabis are also grown throughout the country for domestic consumption. USG-trained Department of Anti-Narcotics Operations (DOAN) units in both the highlands and the Peten specialize in manual eradication and drug-related investigations.

Drug and alcohol education groups estimate that 25 percent of all adults suffer from chemical dependency, primarily alcohol abuse. However, illicit drug use has increased markedly over the last three years, contributing to the country's extremely high level of violence.

The actual amount of drug money laundering through Guatemala is unknown, although one financial exchange house was temporarily closed as part of a multinational crackdown on a known Cali-based organization. Money laundering has not been criminalized, and the lack of controls make the potential for financial crime quite high.

There is no law in Guatemala regulating chemical imports. The level of trafficking in essential chemicals is unknown. However, diversion of precursor chemicals may be rising.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** President de Leon Carpio appointed the Vice President to head a commission to provide counternarcotics policy direction. The GOG provided \$150,000 to support the National Council for the Prevention

of Alcohol and Drug Addiction (CONAPAD) which coordinates antidrug public information campaigns. Recognizing the ever-shifting character of cocaine smuggling, at the end of 1994 the GOG was attempting to restructure the DOAN and increase its staff size to improve its investigative efforts, road and seaport inspection, and planning and training. The successful Port Security Program was being expanded from Puerto Santo Tomas to Puerto Barrios. An antinarcotics hotline was established for people to report suspected drug activity.

**Accomplishments.** Although the GOG is a party to the 1988 UN Convention, it has no comprehensive national drug strategy. Counternarcotics programs are divided among several ministries and are not well coordinated at policy levels. Nonetheless, the GOG sustained credible and aggressive interdiction and eradication programs.

**Law Enforcement Efforts.** Although no detected air smuggling events occurred in Guatemala in 1994, several suspect planes by-passed Guatemala and continued into Mexico. To maintain a deterrent posture, DOAN air-mobile units responded to several tracks that violated Guatemalan airspace. The DOAN -- independently and with U.S. assistance -- has been successful in targetting major trafficker organizations which have become fragmented and difficult to investigate. In 1994, the Ministry of Government developed a plan to annually train 500 National and Treasury Police members by implementing internationally designed curricula, including counternarcotics courses.

The 1992 narcotics law permits government seizure of assets directly involved in narcotics offenses. However, this provision has not been tested in court. The constitution prohibits confiscation of other trafficker assets.

**Corruption.** Corruption is a major problem in Guatemala. The GOG does not, as a matter of policy or practice, encourage or facilitate the production or distribution of illicit narcotics or laundering of drug money. Corruption in the courts, however, is a major problem that the administration has begun to tackle with USG-backed initiatives. Despite the authorization of special narcotics courts, the Supreme Court did not take action to establish them.

**Agreements and Treaties.** Guatemala is party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention. While aggressive interdiction, eradication and investigation by the GOG are fully consistent with the goals of the 1988 Convention, many of its clauses, including money laundering and chemicals controls, have not been implemented through necessary legislation. The new Congress has begun to provide better budgetary support to counternarcotics programs, and the de Leon administration is meeting the goals of its bilateral drug control agreements with the United States.

**Cultivation and Production.** From a high of 2,500 ha in 1991, opium poppy in Guatemala has been systematically reduced to an estimated 50 ha. Located in narrow ravines, at elevations up to 10,000 feet and measuring less than one-fifth of a hectare, poppy fields are increasingly difficult

to distinguish from legitimate crops with similar characteristics. From May to February, three separate poppy crops can be harvested. During 1994, aerial and manual eradication destroyed 75 percent of the estimated 200 ha of opium poppy and half of the estimated 200 ha of cannabis.

**Drug Flow/Transit.** Guatemala is a major transit country of cocaine from South America to the United States. Reports suggest that traffickers have shifted emphasis away from light plane deliveries to vehicular and maritime (both container and small boats) methods of shipment. Major seizures at the port of Santo Tomas illustrate that sea-going containers and boats are being used increasingly.

**Domestic Programs.** USAID manages a narcotics education project to support workshops and drug prevention activities through training, technical assistance, and funding of private and public sector groups, including CONAPAD. At a recent USG-funded workshop CONAPAD developed a broad-based strategy to address drug awareness and education, but follow-up has been hindered by CONAPAD's limited financial resources. There are several small private demand reduction organizations in Guatemala. The GOG is against legalization of drugs and continues to support -- albeit in a small way -- drug education programs.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** Many of Guatemala's current counternarcotics programs began as USG policy initiatives. There is moderate optimism that Guatemala's courts will be reformed. As the peace process continues, such reforms will need to progress quickly. In addition to destroying fields that may be inaccessible to aircraft, Treasury Police units add a law enforcement presence in growing areas and occasionally make arrests of growers. With the opium poppy crop now under control, a continuing suppression program is to be implemented using ground eradication and occasional TDY support of INM spray aircraft.

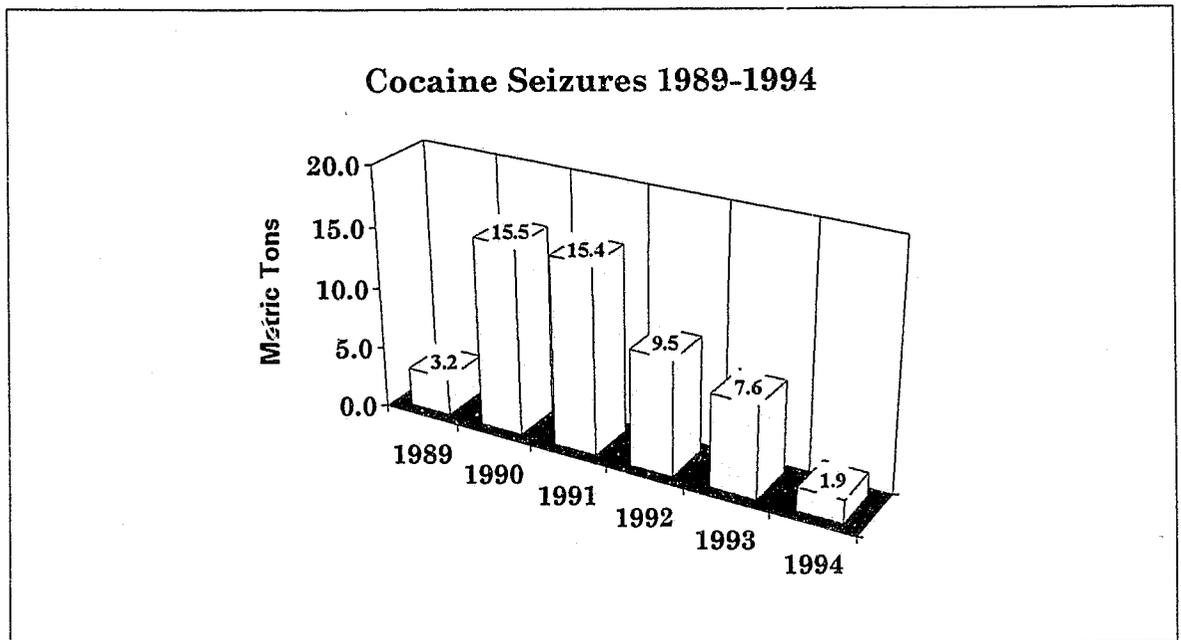
**Bilateral Cooperation.** Bilateral cooperation counternarcotics programs are generally satisfactory, given the limited resources of the GOG for public security. Results in extradition cases of suspected traffickers have been mixed. One trafficker was extradited in 1994 and three narcotics-related cases were in various phases of processing at year's end. It is unclear if recent judicial reforms will make the extradition process more efficient.

**The Road Ahead.** Major cocaine transshipment is expected to continue. With USG assistance, the GOG will develop effective investigative and law enforcement units to control transshipment. Progress in judicial reform will lag behind. Essential chemical diversion and money laundering could become significant problems if effective legislation is not introduced and passed soon. Opium poppy and cannabis cultivation will be controlled through combined USG/GOG efforts. The GOG will increase public education campaigns against drug abuse which will grow as traffickers pay for transportation support with cocaine for local sale instead of dollars. This internal cocaine trafficking will fuel domestic violence and strain even more the already shaky civilian police force.

**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990
<b>OPIUM</b>						
Harvestable Cultivation	[ha]	50	438	730	1,145	845
Eradication	[ha]	150	426	470	576	1,085
Cultivation	[ha]	200	864	1,200	1,721	1,930
Theoretical Potential Yield	[mt]	0.50	4	7.0	11.5	8.5
<b>CANNABIS</b>						
Harvestable Cultivation	[ha]	100	unknown	80	55	92
Eradication	[ha]	100	200	40	66	35
Cultivation	[ha]	200	unknown	120	121	127
Theoretical Potential Yield	[mt]	25		20	55	92
<b>Seizures</b>						
Cocaine	[mt]	1.9	7.6	9.5	15.4	15.5
Marijuana	[mt]	1.76	2.1	0.7	1.3	6.8
Heroin	[mt]	0	0	0.001		
Opium	[kg]	2.0	2.0			
<b>Laboratories Destroyed</b>						
Morphine Base					-	1

USG surveys estimate average yield at 10 kg of opium gum per hectare. Figures for all years have been adjusted accordingly.



2/23/95

## HONDURAS

### I. Summary

There is significant land and maritime transit of drugs through Honduran territory, but airborne transit is minimal. Marijuana is the only drug produced in Honduras, and it is for local consumption. Honduran police and armed forces cooperate readily with DEA, but their efforts are hampered by inefficiency, corruption, and lack of expertise in the complexities of counternarcotics operations. There is limited money laundering activity in Honduras. Honduras is a party to the 1988 UN Convention.

### II. Status of Country

Honduras straddles the Central American isthmus through which drugs from South America pass via land and water routes on their way to the U.S. Vehicles can cross Honduras on the Pan-American highway in a few hours. At the borders, low-paid officials are susceptible to corruption, which, combined with limited custom controls and the large volume of legitimate vehicular commercial traffic, makes Honduras a low-risk transit point for drugs.

The small Honduran Navy is ill-trained for counternarcotics operations, and patrols by its boats are restricted by limited funding for fuel and other expenses. Honduras' Bay Islands have a long tradition of smuggling and limited government presence. Honduras' active fishing fleet provides perfect cover for maritime trafficking. Traffickers conceal drugs in containers of frozen seafood which, owing to risk of spoilage, are not routinely inspected.

Airborne transit of drugs is limited by the Honduran Air Force, which shot down drug planes on three occasions in the past decade, and by the country's scarcity of clandestine strips connected by good roads. Money laundering may be growing, but the extent of the problem is unknown. Legislation to criminalize money laundering was included in an overall bank reform effort that was bogged down in congress at the end of the year. It is expected to be passed in 1995. There is no law on essential chemicals.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The GOH created a new elite counternarcotics division in the police and an autonomous narcotics prosecutor's office. INM funding in support of Honduras' Joint Information Coordination Center (JICC) was matched by GOH funds.

**Accomplishments.** Honduras recognizes that drug trafficking is a threat to national sovereignty. Achievements in 1994 include the first asset seizure action, a demand reduction initiative on the Bay Islands, and the agreement by the Central American presidents to create a regional counternarcotics organization which, when realized, will include a regional counternarcotics training entity in Tegucigalpa.

**Law Enforcement Efforts.** DEA continues to work closely with Honduran law enforcement agencies. Without this cooperation, few, if any, narcotics cases would be successfully concluded. In recent years, the USG devoted \$190,000 to the JICC, an amount exceeded by the GOH contribution of \$212,000. DEA has described the Honduran JICC as the best of its size in Latin America.

**Corruption.** New anti-corruption legislation was being drafted at the end of 1994. Corruption exists, but it is difficult to estimate its extent. The administration of President Reina has taken a strong public stand against corruption.

**Agreements And Treaties.** Honduras has a counternarcotics master plan patterned on the 1988 UN Convention, to which it is a party. Honduras is also an active member of CICAD (Inter-American Drug Abuse Control Commission) and has bilateral agreements with Mexico, Belize, Jamaica, Venezuela and Colombia. Honduras has a bilateral extradition treaty with the U.S. There are no agreements with the U.S. on money laundering or precursor chemicals, but Honduras has signed a tax information exchange agreement with the U.S. The GOH has made progress in accomplishing the goals of its bilateral counternarcotics agreements with the U.S.

**Domestic Programs.** The country's main addiction problems are glue-sniffing and alcohol, although consumption of crack cocaine and marijuana are also in evidence. Recognizing the potential for growth in domestic cocaine consumption, the GOH supports an active demand reduction program coordinated by the Institute for the Prevention of Alcoholism and Drug Abuse which works with private sector groups as well as the Ministries of Public Health and Public Education. The GOH is engaged in antidrug activities to the extent possible, given limited resources, corruption and endemic inefficiency.

#### **IV. U.S. Policy Initiatives and Programs**

The goal of U.S. policy is to help establish an institutional capability within the GOH to suppress the trafficking, consumption and export of illicit narcotics. INM funds are expended in support of the JICC, a drug canine unit, supplies and equipment, vehicle maintenance, radio repeaters, demand reduction, and the formation of an interdiction unit called the Bay Island Task Force.

**The Road Ahead.** The USG believes Honduras is committed to the antidrug fight. However, without USG assistance, the GOH lacks the resources, equipment, and trained personnel for effective counternarcotics operations. Honduras will continue to require assistance to combat use of its territory by narcotraffickers.

HONDURAS  
1995 INCSR

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**Statistical Tables**

<b>TABLES for CY</b>		<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>
<b>Seizures</b>						
Cocaine	[mt]	0.96	2.61	1.46	0.491	0.254
Marijuana	[mt]	0.37	<i>na</i>	0.51	0.113	4.645
<b>Arrests</b>						
Nationals					18	81
Foreigners					13	0
<b>Total Arrests</b>		122	122	1,462	31	81

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Figures for arrests and seizures come from the Honduran Police Anti-Narcotics Unit. The statistics are neither comprehensive nor reliable. There are no statistics available in the Government of Honduras for other categories. Consumption figures are unavailable.

2/23/95

## MEXICO

### I. Summary

Mexico is a major source country for marijuana and heroin available in the U.S. and is the principal transit route for cocaine entering the U.S. It is also a major money laundering center. It is therefore critical to U.S. drug control efforts. The Government of Mexico's (GOM) counternarcotics effort had mixed success in 1994, the final year of the Salinas administration. While heroin and precursor chemical seizures and the destruction of clandestine labs increased, cocaine seizures and illicit crop eradication declined from 1993 levels. The armed insurrection in Chiapas, along with the assassinations of two high-ranking members of the Institutional Revolutionary Party (PRI), shocked the nation, and diverted some GOM attention and resources from anti-drug programs.

There was good cooperation between Mexican and U.S. law enforcement agencies, notably in cocaine interdiction, but the interception of drug-laden cargo jets is one of the most difficult and critical challenges currently facing the GOM. The USG continued to provide technical advice and training funded by the GOM to personnel of the Mexican National Institute to Combat Drugs (INCD). The new President of Mexico, Ernesto Zedillo vowed to combat drug trafficking and unveiled an ambitious plan for judicial reform, which the Mexican Congress swiftly approved. The new Attorney General has also pledged to pursue institutional reform of Mexican law enforcement agencies to counter official corruption and strengthen legal controls over money laundering and precursor chemicals.

### II. Status of Country

Mexico is a major supplier of both heroin and marijuana to the U.S., supplying 20 percent of the heroin seized in the U.S. (based on number of seizures), and 60-80 percent of the foreign-grown marijuana available in the U.S. The porous 2,000 mile U.S./Mexico border is ideal terrain for drug smugglers, and facilitates the entry of over half of all cocaine entering the U.S. Mexico is also a significant producer of methamphetamine, "designer" drugs, and illicit steroids. Mandrax (methaqualone) continues to be manufactured clandestinely. In the wake of tightened U.S. control on precursor and essential chemicals, it has become a transit country for these chemicals.

Although illicit drug use in Mexico remains relatively low, the results from a 1993 national drug use survey showed one-time cocaine use had risen over baseline data (1988). Mexican society and the government are alarmed over increasing violence evidenced by incidents such as the drug-related bombing attempt at a hotel in Guadalajara, a series of kidnappings of wealthy individuals, and a number of execution-style killings in Tijuana and other northern cities. Many Mexicans believe that organized crime is behind the still-unsolved assassination in September 1994 of PRI Secretary General Jose Francisco Ruiz Massieu.

Mexico is a major money laundering center, as a mid transfer point for narcotics proceeds being sent to Colombia as well as a destination point for laundering proceeds from narcotics sales by Mexican drug organizations. Although the GOM has increased sanctions against money laundering in its fiscal code, the financial system remains vulnerable to drug-related transactions. Foreign and domestic currency movements are unmonitored and there are no mandatory reporting requirements relating to cash deposited in banks or wire transfers. However, the GOM has imposed some controls. Individuals entering the country with the equivalent of \$10,000 or more in cash must declare it to GOM authorities.

Mexico produces and imports precursor and essential chemicals used in the production of heroin, cocaine and other illicit pharmaceuticals. While the chemicals used in heroin production are manufactured locally, Mexico imports excessively large amounts of potassium permanganate, an essential ingredient in the conversion of coca paste to base, and ephedrine, which is used to produce methamphetamine. The GOM made record ephedrine seizures in 1994.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** Under President Carlos Salinas de Gortari, Mexico declared drug trafficking a grave threat to the health of its citizens and its national security. Mexico's antidrug strategy focused on demand reduction, interdiction, eradication, and international cooperation. The GOM's performance in these areas in 1994 was consistent with Mexico's obligations under the 1988 UN Convention, to which it is a party, but more progress is needed in areas such as money laundering, chemical controls, and crop eradication. President Ernesto Zedillo Ponce de Leon, who took office on December 1, 1994, reaffirmed the GOM's commitment to combatting drug trafficking and unveiled an ambitious plan for judicial reform within a few days of his inauguration. The primary goals of this initiative are to make Mexico's law enforcement and justice system officials more accountable to the Mexican people; to establish a greater degree of separation of powers; to rationalize Mexico's duplicative systems of public security; and to eliminate official corruption within law enforcement and the judiciary. The legislative reform package was approved by overwhelming majorities in both houses of congress, and will take effect as soon as it has been approved by the required number of Mexican state legislatures.

The GOM and the USG signed a Financial Information Exchange Agreement (FIEA) in October 1994 to facilitate the exchange of information on currency transactions through financial institutions to combat illegal transborder activity. Unfortunately, Mexico has no legal requirement that financial institutions report large currency transactions to banking or law enforcement authorities and no requirement that separate records of such transactions be maintained. Several major bilateral money laundering investigations are being conducted by the GOM's treasury department (Hacienda) in cooperation with the IRS, U.S. Customs, DEA, and FBI.

**Accomplishments.** Mexico's multi-faceted CN effort in 1994, yielded mixed results. Cocaine seizures fell to the lowest level of Salinas' six-year administration and drug crop eradication also declined. Some

of the performance problems and loss in momentum in drug control can be attributed to the assassinations of two political leaders, the revolt in Chiapas, presidential elections, and subsequent change in administration.

Mexican authorities seized 22 mt in 1994 (down from 46.2 mt in 1993). Marijuana seizures held steady at 392 mt. Heroin seizures rose by 555 percent, from 62 kgs to 297 kgs. Part of the decrease in cocaine seizures was the result of the inability of the GOM to interdict and seize, even when detected, the traffickers' fast-moving cargo and corporate jets, hauling multi-ton loads of cocaine into Mexico from South America. Only one such aircraft has been captured to date, after being disabled during landing. These aircraft are also believed to transport bulk shipments of currency from Mexico to South America. The increase in heroin seizures is credited to the effective use of federal highway checkpoints and searches at ports of entry, as well as a significant seizure of Asian heroin in Baja California in early 1994.

Reforms to the Mexican Penal Code, promulgated in 1993, entered into force in February 1994 raising the maximum drug penalty to 40 years in prison. The most severe penalties apply to narcotraffickers considered to be participating in organized crime.

Approximately 12,415 ha of opium poppy were cultivated in Mexico in 1994, an increase from the 11,780 ha estimated to have been cultivated in 1993. The GOM reported eradicating 11,036 ha of opium poppy in 1994, down from 13,015 in 1993. USG experts estimate that approximately 6,620 hectares of opium poppy were eradicated effectively in 1994 ("effective eradication" rates are an estimate of the actual amount of drug crop destroyed, factoring in replantings after spraying or cutting, repeated spraying of one area, etc.). Net production of opium gum, after eradication, is estimated at 60 mt, up from the 1993 estimate of 49 mt.

Approximately 19,045 ha of marijuana were cultivated in Mexico in 1994, down from 21,190 ha in 1993. The GOM reported eradicating 14,227 ha of marijuana in 1994, down from 16,645 ha in 1993. USG experts estimate that approximately 8,495 ha of marijuana were eradicated effectively in 1994. The decrease in eradication was due, primarily, to the Mexican military's preoccupation with the Chiapas crisis. Net production of marijuana (dried/usable), after eradication, is estimated at 5,540 mt, down from 6,280 mt in 1993.

Mexico hosted a conference on regional approaches to drug control in Central America in January 1994. The annual U.S./Mexico Binational Commission (BNC), which consists of 14 working group sessions, including one on Legal Affairs and Anti-Narcotics Cooperation, was held in Mexico in May.

The USG and GOM signed several new bilateral law enforcement agreements in 1994: a simultaneous criminal investigation program (September) to achieve greater efficiency in information exchange in cases involving potential criminal tax offenses; the Financial Information Exchange Act (October) to combat financial crimes on both sides of the border, especially by drug traffickers; and an anti-abduction treaty (November), in response to ongoing GOM concerns over the issue of transborder abductions.

**Law Enforcement.** Close law enforcement cooperation between the GOM and USG continued throughout 1994. The interdiction of cocaine shipments by the Northern Border Response Force (NBRF), or "Operacion Halcon," remained the focus of bilateral interdiction efforts. NBRF operations intercepted 18.5 mt of cocaine (including 2.5 mt from a Caravelle cargo jet captured on the ground in August), 11 aircraft, 2 vessels and 48 vehicles, and resulted in the arrests of 95 traffickers.

The PGR launched three separate law enforcement surge actions in the states of Sonora, Chihuahua and Michoacan to disrupt air and land drug movement. This type of operation is unprecedented in Mexico's counterdrug efforts in terms of the massive logistics involved, as well as the degree of interagency and bilateral cooperation required in its implementation.

The GOM arrested three key figures in the notorious Gulf (Matamoros) Cartel. Humberto Garcia Abrego, brother of the organization's leader, Juan Garcia Abrego, was arrested on money laundering charges following an intensive joint investigation by the office of the Attorney General of Mexico (PGR), Hacienda, and DEA. Raul Valladares del Angel, a close associate of Juan Garcia Abrego and Carlos Resendez Bertolousi, the financial brain of the Gulf Cartel, were also arrested. In addition, Mexican law enforcement personnel arrested Bernardo Araujo Hernandez, second in command of the Arellano Felix trafficking organization, also known as the Tijuana or Pacific Cartel. Miguel Angel Felix Gallardo, one of Mexico's major cartel leaders, received a 40-year prison sentence for several drug-related crimes, including his participation in the 1985 killing of DEA Special Agent Enrique Camarena and his Mexican pilot. In addition, major drug fugitive Juan Chapa Garza was deported in 1994 to face prosecution in the United States.

The PGR/DEA bilateral working group on precursor chemicals carried out investigations and seizures during 1994 which documented that at least 100 mt of ephedrine were imported into Mexico in 1994. Mexican drug cartels find the ephedrine/methamphetamine business attractive because the profit margins exceed those of cocaine, and they are not dependent on the Colombian cartels for their supply. The Mexican Congress adopted only minor changes in the general health law, which still lacks sufficiently severe penalties to be an effective control regime.

The GOM confiscated over \$18 million in general assets from suspected drug traffickers, including the freezing of local and regional bank accounts. Many of these seizures resulted from bilateral investigations.

President Zedillo named Antonio Lozano Gracia as the new attorney general in December. Lozano was given a mandate by the President to clean up the Mexican justice system, beginning with his own ministry (PGR). Lozano is a highly respected legislator from the opposition National Action Party (PAN); he is the first opposition party member to hold a Cabinet-level position in a PRI Administration. This was a bold move by Zedillo and should enhance his government's ability to pursue legal and judicial reform and to uncover official corruption.

In 1994, two U.S. Coast Guard/Mexican Navy coincidental operations were conducted (one in the Gulf of Mexico and one on the Pacific coast). Both were successful regarding information sharing, professional exchanges, shipriders, and direct communications. These operations have grown from a single U.S. Coast Guard cutter and one Mexican Navy vessel, to recent operations of two US Coast Guard cutters and one aircraft with six Mexican Navy patrol boats and three aircraft. Despite this cooperative effort, no seizures were made in 1994.

**Corruption.** The GOM does not, at a matter of policy, encourage or facilitate production or distribution of illicit drugs or money laundering. Although former Attorney General Humberto Benitez Trevino, appointed in May, announced a nationwide program to purge the Federal Judicial Police of corruption and human rights abuses, corruption remains deeply entrenched. Eduardo Valle Espinoza, a former special advisor to the PGR, alleged that Mexico was living under "a narcodemocracy." He was particularly critical of the GOM's inability to arrest drug trafficker Juan Garcia Abrego.

In August, the GOM captured a Caravelle cargo jet which had been used to transport cocaine to Mexico from South America. Although initial reports indicated that up to ten metric tons were aboard the Caravelle, authorities reported the seizure of only 2.5 mt. A PGR investigation of this inconsistency has been inconclusive.

**Agreements and Treaties.** Mexico has bilateral narcotics accords with 21 countries and is a party to the 1988 UN Convention. Mexico is also a party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Mexico also signed the OAS Declaration and Program of Action of Ixtapa which commits signatories to enact comprehensive antidrug programs, including money laundering and chemical controls.

The U.S./Mexico extradition treaty dates from 1978. Extradition proceedings in Mexico are generally slow. Mexican policy is not to extradite its nationals, such as fugitive Raul Valladares del Angel, who is wanted on drug charges in Texas. However, the GOM is working to improve domestic prosecution of such individuals under Mexican law, as an alternative to extradition. Unfortunately, because of limitations in Mexican law on the use of information and evidence obtained through such sources as wiretaps, confidential informants, and cooperating co-defendants, it is extremely difficult, if not impossible, for the USG to pursue the domestic prosecution of narcotics traffickers in Mexico. Mexico extradited six American fugitives and deported several others to the U.S. during 1994; several of these were narcotics cases. The USG currently has requests pending for the extradition of several suspected drug traffickers. The U.S./Mexico Mutual Legal Assistance Treaty (MLAT) greatly facilitated the exchange of evidence during 1994.

**Cultivation and Production.** Mexico is a leading producer of opium poppy and marijuana. Mexican marijuana and heroin (processed in Mexico) is destined to the U.S. The highest percentage of illegal drug crop cultivation was in the states of Sinaloa, Jalisco, Guerrero, Michoacan, Sonora, and Nayarit. While the GOM made no crop estimates and set no

destruction goals in 1994, it compiles monthly eradication figures. The Secretariat of National Defense used imagery from monthly aerial survey flights conducted by the Mexican Air Force to plan manual eradication efforts by the Mexican Army.

**Drug Flow/Transit.** Traffickers reacted quickly in 1994 to detection operations targeted at their transportation networks. In response to NBRF interdiction program successes early in the year, traffickers increased use of high-speed cargo jets. Corporate and cargo jet aircraft can generally outrun the detection and tracking assets available to Mexico. They also blend in with commercial cargo and passenger aviation, making identification difficult. The payload capacity of these cargo jets permits one flight to replace 10-15 general aviation flights. In response to the increased use of high-speed cargo jets, Mexico coordinated multi-agency response plans and implemented procedures to track and identify executive commercial jet aircraft. The PGR is developing a night-flying helicopter interdiction capability to counter trafficking flights at dusk or during the night. The USG is providing equipment and instruction to the PGR.

**Demand Reduction.** There is an extensive network of government, volunteer and community organizations involved in drug prevention, research, treatment, and education in Mexico. Results published in October from the national drug use survey (financed partially by the USG) indicated that cocaine consumption had risen slightly among one-time users since the last survey in 1988. However, the survey also found that one-time consumption of any illegal drug had fallen from 4.4 percent to 3.9 percent during the same period. The GOM plans to pursue comprehensive drug abuse prevention programs through multilateral organizations, such as CICAD.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG narcotics control policy toward Mexico has three objectives: 1) strengthening the political commitment and institutional capability of the GOM to enable it to take effective measures against drug production and trafficking; 2) crippling the trafficking organizations that operate in Mexico by apprehending and prosecuting the trafficker leadership and disrupting or dismantling their operations; and 3) developing cooperative initiatives along our common border to increase the effectiveness of counternarcotics activities.

**Bilateral Cooperation.** Mexico continued the process of "Mexicanization" (full funding) of its antidrug programs in 1994. Remaining USG funds from prior year commitments were spent on enhancing the PGR aviation maintenance base at Guadalajara, improving communications systems used in the NBRF interdiction program, and analyzing and publicizing the results of the 1993 northern border and national household drug surveys. The Zedillo administration, following the recommendation of the Salinas administration, is expected to extend the lease for 12 USG helicopters being used by the PGR for counternarcotics operations.

The USG provided law enforcement training programs for GOM officials on air, land, and sea interdiction, money laundering investigative techniques, night flights, advanced piloting and customs procedures.

U.S. Coast Guard (USCG) contact with Mexico is primarily through the USCG Attache in Mexico City. The USCG and Mexican Navy are also in the process of exploring possible arrangements to post a Mexican liaison officer at the USCG command centers in Los Angeles and New Orleans. The liaisons would be direct communications links between the USG and the GOM for the execution of search and rescue and law enforcement cases.

**The Road Ahead.** Drug trafficking poses daunting challenges to Mexico. Despite some notable achievements and considerable investment of human and financial resources, the GOM has not yet effectively addressed the more sophisticated measures taken by international drug traffickers, the expansion in opium poppy cultivation, money laundering, chemical diversion, entrenched official corruption, and narcotics-related violence.

The early actions taken by President Zedillo and Attorney General Lozano are encouraging. The judicial reform package, if fully implemented, would address many of the systemic weaknesses that have undermined the Mexican counternarcotics effort in the past. Close cooperation with the U.S. and other governments in the region will also be critical. The U.S. and Mexican governments already have held senior-level discussions to outline areas for expanded cooperation combatting drug trafficking, chemical diversion, organized crime, money laundering, and other crimes and to improving cooperation in bringing fugitives to justice, extradition, prisoner transfers and domestic prosecution. Bilateral working groups were established to pursue these issues.

The USG will continue to offer technical support to Mexico in strengthening its counternarcotics infrastructure, institutions and interdiction capabilities.

MEXICO 1995 INCSR

**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990
<b>OPIUM</b>						
Potentially harvestable	[ha]	5,795	3,960	3,310	3,765	5,450
Eradication [a]	[ha]	6,620	7,820	6,860	6,545	4,650
Cultivation	[ha]	12,415	11,780	10,170	10,310	10,100
Potential Yield	[mt]	60	49	40	41	62
<b>CANNABIS</b>						
Potentially harvestable	[ha]	10,550	11,220	16,420	17,915	35,050
Eradication [a]	[ha]	8,495	9,970	12,100	10,795	6,750
Harvestable Cultivation	[ha]	19,045	21,190	28,520	28,710	41,800
Whole dry plant [b]						
Yield (1.13 mt/ha)	[mt]					39,600
Usable Plant [b]						
Yield	[mt]	5,540	6,280	7,795	7,775	19,700*
<b>Seizures [d]</b>						
Opium	[mt]	0.15	0.13	0.17	0.10	0.40
Heroin	[mt]	0.297	0.062	0.097	0.15	0.18
Cocaine	[mt]	22.1	46.2	38.8	50.3	48.5
Marijuana	[mt]	528.4	494.7	404.6	254.9	408.0
<b>Arrests</b>						
Nationals		14,968	17,551	27,369	8,621	18,000
Foreigners		146	75	208	141	194
<b>Total Arrests</b>		<b>15,114</b>	<b>17,626</b>	<b>27,577</b>	<b>8,762</b>	<b>18,194</b>
<b>Labs Destroyed [d]</b>						
Heroin		-	-	-	8	12
Cocaine		-	-	-	1	1
<b>Total Labs</b>		<b>9</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>13</b>

- (a) The eradication figures shown are derived by the USG from data supplied by Mexican authorities. The effective eradication figure is an estimate of the actual amount of a crop destroyed, factoring in replanting, repeated spraying of one area, etc.
- (b) 1990 information from Government of Mexico officials gave us a more accurate understanding of the actual amount of usable plant yield versus whole plant yield. Accordingly we have used the "usable plant yield" to calculate production figures for both 1989 and 1990.
- (c) Extrapolation for full year of seizures January - October 1993.
- (d) 1994 data for first ten months only. Cendro statistics show 5 labs destroyed in 1993 and 4 in 1992, but do not specify whether they were heroin or cocaine processing labs.
- \* Usable plant yield .56 mt/ha
- # Usable plant yield .434 mt/ha

## NICARAGUA

### I. Summary

Nicaragua is a drug transit country that is also experiencing a growing consumption problem. In 1994, the Chamorro government enacted narcotics legislation that brought Nicaragua closer to compliance with the 1988 UN Convention, which it ratified in 1990. Despite this initiative, a weak judiciary and an out-matched police force lack the resources and training to prevent the drug situation in Nicaragua from worsening.

### II. Status of Country

The country's isolated east coast, poor infrastructure, poverty, unemployment, and political uncertainties permit easy passage for traffickers. Greater vigilance by neighboring countries will result in a trafficking increase in Nicaragua. Drug use, while negligible, is on the increase, especially on the Atlantic coast where packets of narcotics wash ashore after being dumped from vessels. Marijuana, for local consumption, is the only drug produced in Nicaragua.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The Government of Nicaragua (GON) enacted major antidrug legislation in July to address all aspects of narcotics trafficking including money laundering. The new law upgraded the coordinator of the Interagency Narcotics Committee to a full time position. The committee has yet to meet.

**Accomplishments.** Although the lack of a DEA office in Nicaragua hampers some counternarcotics operations, Nicaragua's police force has worked in conjunction with DEA in Costa Rica on several successful activities. A local DEA office has been suggested by some GON officials, but has not been formally requested.

**Law Enforcement Efforts.** A January operation in conjunction with officials from DEA Costa Rica netted 450 kgs of cocaine in an airdrop that led to the arrest of seven Nicaraguans and five Guatemalans. In April, Nicaraguan and Costa Rican authorities, assisted by DEA, seized 650 kgs of cocaine and arrested six individuals from a Colombian vessel. Despite a lack of counternarcotics training, equipment, and funding, the police unilaterally made several drug-related arrests and seizures.

**Corruption.** The Nicaraguan Judicial System is weak and can not protect judges and jurors from the influence and intimidation of traffickers. In a case against twelve accused traffickers, none was convicted in spite of ample evidence for conviction. Police suspect the outcome of the trial was influenced by drug money. Low police salaries increase opportunities for corruption. Rumors regarding police corruption in May led Minister of Government Alfredo Mendieta to publicly deny police involvement in narcotics trafficking.

**Agreements and Treaties.** Nicaragua became a party to the 1988 UN Convention in 1990, but has not acted to meet fully the goals and objectives of the Convention. No new agreements were signed in 1994. In September, the GON hosted a regional international drug enforcement conference which resulted in a signed accord of professional cooperation between Central American police agencies. Nicaragua's extradition treaty with the U.S., which dates from 1905, has not been used in recent years.

**Drug Flow/Transit.** Recent cocaine seizures indicate a substantial increase in cocaine transiting Nicaraguan territory. The Atlantic coast region with its porous coastline, offshore cays, and islands, is heavily used for cocaine transiting from Colombia to North America and the Caribbean.

**Domestic Programs.** Small narcotics education programs exist, primarily among NGO's. Nicaragua's lack of an effective drug policy and coordination mechanism hampers a more focused effort.

#### **IV. U.S. Policy Initiatives And Programs**

**Policy Initiatives.** The U.S. encourage the GON to bolster its narcotics civilian and police capabilities, but lack of progress on human rights issues precludes any direct USG assistance to the police.

**Bilateral Cooperation.** Bilateral agreements signed in 1991 and 1992 were recently amended to support demand reduction projects submitted by the Nicaraguan Interagency Drug Council.

**Road Ahead.** Nicaragua's narcotics problems will continue to increase as police resources fail to match trafficking efforts. The Atlantic coast area will grow as a drug transit point. The USG will press for implementation of the new narcotics law, for greater prosecutorial and judicial accountability in cases involving suspected traffickers, and for implementation of the 1988 UN Convention.

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**Statistical Tables**

TABLES for CY		1994*	1993	1992
<b>SEIZURES</b>				
Cocaine	[mt]	1.323	0.155	0.096
Heroin	[mt]	-		0.008
Marijuana**	[mt]	0.329	0.268	0.235
<b>ARRESTS***</b>				
Total		860	1208	1517

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\* In January 1994, the Nicaraguan National Police seized 558 kilos of cocaine.  
Seizure data is for January - November 1994.

\*\* The Nicaraguan Police reported the marijuana seizures in pounds [1992: 518.14  
lbs] [1993: 589 lbs] [1994:766]

\*\*\* January -September 1994.

2/23/95

## PANAMA

### I. Summary

Panama's progress on drug control during most of 1994 was hampered by a change of administration. Before leaving office, the Endara government passed a new national drug law and established cross-border currency controls. However, it failed to implement specific counternarcotics measures.

The administration of Perez Balladares, which took office in September, adopted a policy of extensive money laundering controls to be implemented in 1995. The new administration did not, however, develop a comprehensive policy for interdiction, demand reduction, crop eradication and corruption. Nonetheless, there was tangible progress in those areas. Seizures of cocaine rose dramatically, augmented by a 3.5 mt seizure in June -- the second largest single Panamanian seizure on record. Panama is a party to the 1988 UN Convention.

### II. Status of Country

Panama is a financial and commercial center whose geographic location makes it an ideal conduit for cocaine transiting from the Andean region to the U.S. and Europe. A dollar-based economy, the Colon Free Zone (CFZ), weak controls on cash and commodity imports/exports, and lax incorporation regulations, make Panama particularly vulnerable to the laundering of drug profits. Although drug-related money laundering is illegal, only one case has been prosecuted. The National Banking Commission (CBN) has not detected money laundering in the banking system, and the Attorney General's staff has not carried out sophisticated investigations on its own. Panama's slow judicial system frustrates swift prosecution of traffickers. Despite these drawbacks, the GOP has made progress in interdicting drugs and creating public awareness of drug abuse. The Perez Balladares administration indicated clearly its intention to remedy Panama's institutional flaws. Panama is not considered a major producer of coca, but small amounts have been grown there.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** Although Endara's administration lacked specific policy definition and coordination, it passed a national drug law (Law 13) that contained provisions to facilitate investigation and prosecution of narcotics-related crime. The law created two new drug prosecution offices, expanded the definition of money laundering, and re-allocated the burden of proof in forfeiture proceedings.

After taking office in September, the Perez Balladares administration recognized that it must develop effective counternarcotics institutions to implement new laws and policies. It created a national anti-money laundering policy which commits Panama to fulfill its obligations as a party to the 1988 UN Convention.

**Accomplishments.** Panama is generally meeting the objectives of the 1988 UN convention covering interdiction, demand reduction, chemical control, and narcotics crop eradication. Some progress was also made in money laundering control. However, weak and selective enforcement of existing statutes has prevented the GOP from fully implementing them.

**Law Enforcement.** Law enforcement agencies continued to expand operations and training in 1994. Some detainees were released from prison on questionable technicalities and others "escaped." Cooperation with DEA was good at the working level. Unilateral drug seizures by the Judicial Technical Police (PTJ) and Customs increased in 1994. There were two USG/Panama maritime interdiction campaigns. Seizures of cocaine increased dramatically and included the second largest cocaine seizure in Panamanian history. Despite recurring leadership problems, the Joint Information Coordination Center (JICC) improved intelligence collection and analysis through innovative training seminars. The JICC provided intelligence for several major cocaine seizures. In the past, Panama has frozen assets at the request of the USG, but frequently has then either lifted the freeze, or failed to follow through with forfeiture of the property.

**Money Laundering.** In response to USG concerns over money laundering, the Endara administration passed new cross-border currency controls in March. During President Perez Balladares' first month in office, his administration promulgated "know-your-customer" practices for attorneys to prevent abuse of Panamanian corporations. In November, the new administration developed money laundering controls that mandate establishment of a financial investigations unit, a data collection center, and increased regulatory authority for the National Banking Commission. The Panamanian Banking Association endorsed "know-your-customer" practices, and major banks now have compliance officers sensitized to money laundering risks. The GOP is aware of the need to carry out successful investigations and prosecutions of money laundering cases.

**Asset Seizure.** Although Panamanian law provides for seizure of narcotics-generated proceeds, forfeiture of assets rarely occurs. During 1994, U.S. Customs agreed to share with the GOP approximately \$40,000 in seized assets.

**Precursor Chemicals.** Panama is neither a major producer nor a significant consumer of essential chemicals. It is not a major processing country for cocaine or heroin products. Law 13 establishes penalties for the illicit manufacture, use, and transport of precursors.

**Corruption.** The GOP does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds. In 1994, for unexplained reasons, charges of narcotics-related corruption were not as prevalent as in the preceding two years. Weak law enforcement follow-through has frustrated efforts to punish corruption within Customs, the police, and the judiciary. However, rooting out corruption is a high profile component of Perez Balladares' antidrug policy. The GOP arrested several PTJ agents allegedly responsible for the October 1994 "escape" of an individual detained on drug trafficking charges.

**Agreements and Treaties.** Panama is party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs, the 1972 Protocol amending the Single Convention, and the 1971 Convention on Psychotropic Substances. The GOP ratified a mutual legal assistance treaty (MLAT) with the U.S. in 1991, but the U.S. Senate has not given its advice and consent. The National Assembly approved border cooperation agreements with Costa Rica and Colombia in August 1994. The GOP is an active participant in CICAD and participates in the Caribbean Financial Action Task Force (CFATF).

**Cultivation and Production.** Panama is a small-scale producer of coca leaf. In the Darien region, 90 ha of coca were destroyed by a March 1994 GOP-conducted aerial eradication program supported by technical cooperation from Colombia and the USG. Panama also staged several manual eradication operations against illicit marijuana plantations which are cultivated in small amounts for local consumption.

**Drug Flow/Transit.** Seizures of cocaine and, to a lesser degree, heroin indicate that drugs are sent to Panama via sea and air, repackaged, and sent out of the country via port or airport facilities. Loads also move overland through Panama to Mexico and the U.S. Most large seizures occurred in the CFZ and in the port facilities that service the CFZ. In September, Perez Balladares named a tough-minded administrator to head the CFZ.

**Demand Reduction Program.** Drug abuse in Panama (believed to have the highest level of cocaine addiction in Central America) is recognized by the public as a serious problem at all levels of society. Demand reduction efforts are carried out by the National Drug Prevention and Rehabilitation Committee (CONAPRED), the Ministries of Health and Education, and leading NGO's such as Pride/Panama and Cruz Blanca. With the assistance of USG funding, Cruz Blanca developed beneficial drug prevention programs.

#### **U.S. Policy Initiatives and Programs.**

**Policy Initiatives.** The USG assists the GOP to improve the performance of its counternarcotics institutions through the provision of materiel, information, and training. This assistance is aimed at targeting trafficking organizations, thwarting money laundering, and disrupting the flow of drugs and drug funds. The USG also seeks to strengthen Panama's judicial system, encourage revision of laws and regulations, and ensure strict law enforcement.

**Bilateral Cooperation.** USG and Panamanian law enforcement agencies conducted joint investigations, shared intelligence, and collaborated on the interdiction of illegal narcotics. INM has comprehensive counternarcotics programs with the GOP and supports several extensive narcotics-related assistance projects. USAID's Administration of Justice program continued to improve Panamanian judicial procedures and performance. National Air service personnel received training through USG-funded courses, and 925 police officers were trained in courses in Panama. For ten months, US Coast Guard teams conducted INM-sponsored training of the National Maritime Service (SMN) which also sent 45 sailors to the Naval Small Craft Training School (NAVSCIATTS).

The GOP is making progress toward accomplishing the goals of its bilateral agreements with the USG for maritime law enforcement and chemical control. The PTJ has provided information on suspected essential chemical shipments. In 1994, the GOP extradited one accused drug trafficker to the U.S., and there were five other narcotics-related extradition requests pending.

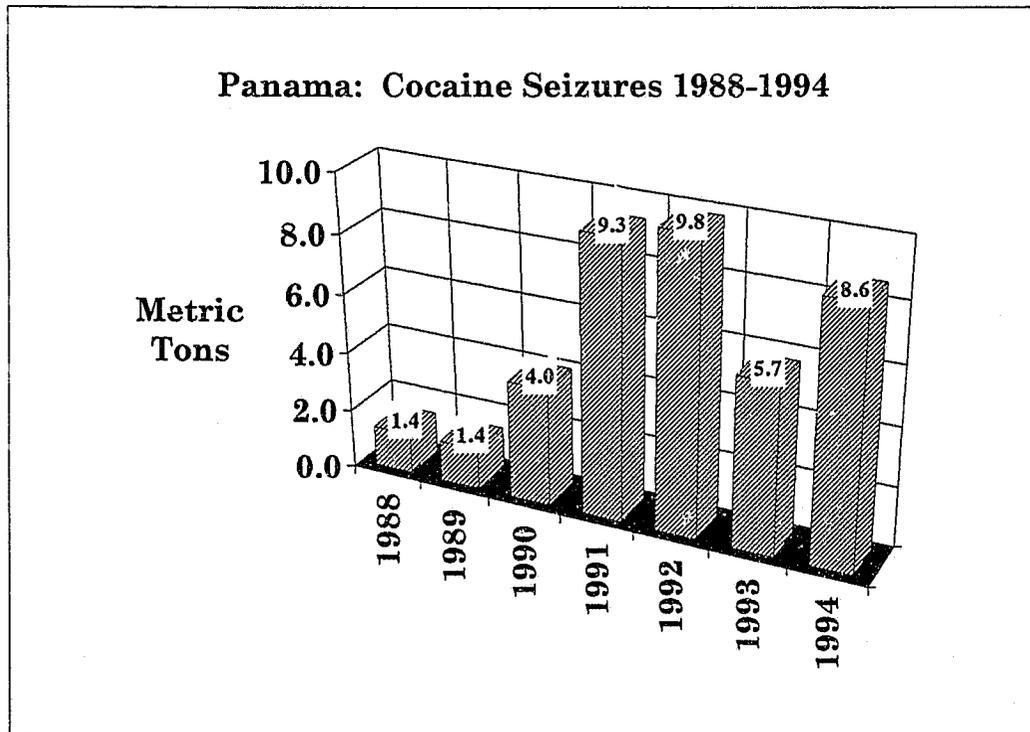
**The Road Ahead.** The GOP must take steps to translate its policies into concrete action, particularly in the areas of investigation and prosecution of money laundering and trafficking offenses. For example, it remains to be seen whether the GOP will provide meaningful asset forfeiture assistance to the U.S. and other countries. Enforcement of existing laws should be tightened to promote effective prosecution in the courts. To build effective institutions, the GOP will require foreign assistance to compensate for its limited resources and expertise. The USG's specific objectives for 1995 include implementation of money laundering controls, implementation of cross-border currency declarations, institutionalized coordination of national drug control policies, and tighter customs controls at ports and airports.

PANAMA 1994 INCSR

Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>COCA</b>						
Harvestable	[ha]	10	10	-	-	-
Eradication	[ha]	90	60	-	-	-
Cultivated	[ha]	100	70	-	-	-
<b>Seizures*</b>						
Cocaine	[mt]	8.6	5.7	9.8	9.3	4.0
Cannabis	[mt]	0.01	32.5	7.33	9.88	0.11
Heroin	[mt]	0.007	0.013	0.0009		
<b>Arrests*</b>						
Nationals		879	696	412	610	707
Foreigners		284	104	105	149	116
<b>Total Arrests</b>		<b>1,163</b>	<b>800</b>	<b>517</b>	<b>759</b>	<b>823</b>

Seizure and arrest data have been corrected for previous years by Panamanian authorities.





**THE CARIBBEAN**



## THE BAHAMAS

### I. Summary

Bahamian and joint U.S.-Bahamian drug enforcement initiatives over the past ten years have reduced significantly the volume of drugs moving through The Bahamas. Nevertheless, The Bahamas remains a major transit country for U.S.-bound Colombian cocaine and Jamaican marijuana, and an occasional transit site for heroin. The Bahamas was the first country to ratify the 1988 UN Convention and has instituted laws and procedures to implement it, including controls for precursor and essential chemicals. In 1994, the Government of the Commonwealth of The Bahamas (GCOB) drafted stronger money laundering legislation, which the GCOB expects will be enacted in 1995. The GCOB works diligently to fulfill the goals and objectives of U.S.-Bahamian bilateral counternarcotics accords, including extraordinary cooperation with USG drug interdiction efforts.

### II. Status of Country

The Bahamas, a country of 265,000 people scattered over an area the size of California, is strategically located on the air and sea routes between Colombia and the U.S. The Bahamian archipelago contains hundreds of small, deserted islands used for transshipment and temporary drug storage, and is only 40 miles from south Florida at its closest point. Trafficker aircraft and boats blend in with the many legitimate craft moving among the islands and to the U.S. The Bahamas is a dynamic financial services center and a tax haven with bank secrecy laws and some money laundering controls. These controls, however, may not be sufficient to deter sophisticated money laundering techniques. There is no significant cultivation or production of illegal drugs in The Bahamas.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** During 1994, the GCOB extended its efforts to fulfill the objectives of the 1988 UN Convention by drafting stronger money laundering legislation and undertaking judicial enhancement activities. The GCOB also took steps which demonstrated a strong commitment to working with the USG against drug traffickers. The new U.S.-Bahamian extradition treaty, which entered into force in September, will provide a more flexible tool against international drug traffickers than the 1931 treaty it replaced. The Bahamas also adopted legislation, based on U.S. law, making a continuing criminal enterprise (CCE) related to narcotics trafficking a crime. This will facilitate U.S. extradition requests for individuals charged with a CCE offense and should facilitate domestic Bahamian narcotics prosecutions. Following a technical review of existing narcotics legislation, in 1994 the GCOB took regulatory action to make a significant number of additional drugs illegal under the provisions of the existing Bahamian Dangerous Drug Act. Unauthorized use of all drugs listed under the Single Convention on Narcotics Drugs of 1961 and the Psychotropic Substances Convention of 1971 is now illegal in The Bahamas.

**Accomplishments.** Working closely with the U.S., the GCOB placed special emphasis during 1994 on strengthening its judicial system. Because of judicial system inefficiencies, Bahamian emphasis on the rights of defendants, the practice of granting bail while convictions are appealed, and the reluctance of juries to convict Bahamians for drug offenses, too few Bahamian traffickers have spent substantial time in jail. To improve the system's efficiency, the government significantly increased the budget of the courts during 1994 and continued an extensive capital improvement program of judicial facilities. The government worked closely with the USG to implement a U.S. foreign assistance program designed to speed the processing of narcotics cases by two means: implementing a court automation system, and commencing court-reporter training. Legislation passed in 1994 permits the Attorney General's office to dispense with time-consuming preliminary inquiries in major criminal cases and to limit the granting of bail in cases against persons charged with drug trafficking and other serious offenses.

**Law Enforcement Efforts.** For over ten years the Royal Bahamas Police Force (RBPF) has participated with Turks and Caicos police and DEA in Operation Bahamas and Turks and Caicos (OPBAT), a joint program designed to intercept narcotics shipments and arrest traffickers in the Turks and Caicos Islands (a neighboring British Dependent Territory), and The Bahamas. U.S. Coast Guard and U.S. Army helicopters, located at three Bahamian bases established with considerable USG assistance, facilitate these operations. The GCOB continued to demonstrate its strong commitment to OPBAT during 1994, dedicating almost all of the police's 35-person counternarcotics strike force to the operation. During much of 1994, several Bahamian police officers were based in south Florida where they supported U.S. Customs helicopter patrols authorized to enter Bahamian airspace. This program was ended, however, because of its limited effectiveness and budgetary and resource problems in both countries.

Although there was a dramatic increase in seizures toward the end of the year, total drug seizures during 1994 were low and believed to represent only a small percentage of the cocaine and Jamaican marijuana transiting the area. Traffickers are using tactics that are difficult for U.S. and Bahamian law enforcement to counter. Trafficker aircraft make non-stop round trip flights from Colombia and employ several tactics over the area, including airdrops to awaiting boats, use of Cuban waters to evade OPBAT efforts, drop-offs by aircraft making only momentary landings, and development of a cocaine route through Jamaica. An increase in seizures and significant arrests at the end of the year probably reflected both an upsurge in trafficking and more effective tactics employed by OPBAT personnel.

The GCOB also conducts increasingly successful counternarcotics operations and investigations on its own, independent of the OPBAT framework. The Bahamas has a 95-person Drug Enforcement Unit (DEU), which includes the 35-person strike force. During 1994, 1,025 persons were arrested on drug charges.

The USG is concerned that existing Bahamian bank regulatory measures may not be fully adequate to control sophisticated money laundering techniques. According to the GCOB, participating in narcotics-related money laundering would, as a practical matter, constitute a crime under provisions of the Tracing and Forfeiture of Proceeds of Drug Trafficking Act of 1986. The Attorney General's office maintains that bankers have an affirmative legal obligation to report narcotics-related money laundering and that failure to do so could lead to criminal sanctions. A bankers' code of conduct promoted by the central bank calls for the reporting of suspicious transactions, but compliance is largely voluntary.

The GCOB has made a concerted effort to address shortfalls in its money laundering control efforts. New money laundering legislation was introduced into parliament in 1994 and is expected to be enacted during the first half of 1995. This legislation will specifically criminalize money laundering and should significantly improve the government's ability to prevent and combat this illicit activity. Regulations to be issued under the new legislation are expected to strengthen the obligation of financial institution employees to report suspicious transactions and establish a mandatory "know your customer" rule. Moreover, the current U.S.-Bahamas Mutual Legal Assistance Treaty (MLAT) authorizes, as an exception to bank secrecy laws, access to records in cases of suspected narcotics money laundering. In 1994, the GCOB agreed to an independent evaluation of Bahamian money laundering controls in The Bahamas by the Caribbean Financial Action Task Force, scheduled for 1995.

In 1990, the GCOB simplified procedures for registering shell corporations, known as international business companies (IBCs), which can issue bearer shares. Reporting requirements for IBCs, currently numbering over 30,000 in The Bahamas, are minimal, and they could be used by criminals to facilitate money laundering. Under Bahamian law, the assets of a convicted drug offender are subject to forfeiture. Courts may order such forfeitures only after the often lengthy appeals process runs its course. No procedures exist for civil asset forfeiture in narcotics cases.

**Corruption.** As a matter of policy, the GCOB does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds therefrom. Some mid- and low-level officials who engaged in narcotics-related corruption have been prosecuted and convicted. In 1994, a lengthy prosecution continued against a former prison superintendent for allegedly accepting a bribe in connection with an unsuccessful escape attempt by a Colombian trafficker several years ago. At year's end, the matter had not yet been resolved. There are other notable examples of GCOB action. Nevertheless, the current weaknesses of the judicial system reduce the possibility that narcotics traffickers and corrupt officials who assist them will serve appropriately lengthy prison sentences.

**Agreements and Treaties.** The GCOB works to accomplish the goals and objectives of U.S.-Bahamas bilateral narcotics control agreements, which specify cooperative action on a wide range of narcotics-control measures such as: improving the efficiency and effectiveness of the Bahamian judicial system; controlling money laundering; collecting and analyzing drug-trafficking information; reducing the demand for drugs in The Bahamas; and, stemming the flow of drugs via OPBAT and other cooperative efforts. The U.S.-Bahamas Mutual Legal Assistance Treaty (MLAT) facilitates the exchange of information, including on money laundering. The GCOB generally responds positively to specific requests under the MLAT, although the response time can be very slow.

As noted above, the new U.S.-Bahamas extradition treaty entered into force in 1994. While the GCOB has been responsive to U.S. extradition requests, it sometimes takes years for the Bahamian justice system to resolve such cases. A number of narcotics-related extradition cases are currently pending. In 1994, The Bahamas extradited one accused drug trafficker to the U.S.

The Bahamas and the U.S. have a number of agreements and arrangements to facilitate maritime counternarcotics operations. An exchange of notes permits The Bahamas to embark a Royal Bahamas Defence Force (RBDF) officer on U.S. law enforcement vessels. The notes permit the U.S. vessels with shipriders to enter the Bahamian territorial sea to board, search and, if evidence warrants, seize U.S., stateless or third-nation vessels with the permission of the flag state; to enter Bahamian territorial seas to assist RBDF personnel in the enforcement of Bahamian drug laws; and to board, search and seize Bahamian vessels on the high seas suspected of drug trafficking. The Bahamas also has authorized U.S. Coast Guard aircraft to overfly Bahamian territory. GCOB maritime cooperation with the U.S. has been excellent.

**Demand Reduction Programs.** The GCOB supports demand reduction programs, but budgetary constraints limit available funding. Such programs have generally concentrated on the principal cities of Nassau and Freeport but, with the support of significant grants from the Pan American Health Organization and UNDCP, they are being extended to less populated islands by the government's National Drug Council. The USG provides assistance to the demand reduction activities of the National Drug Council and to several private sector demand reduction groups. The number of new drug users appears to have declined significantly since the mid-1980s, although a disturbingly high number of chronic cocaine addicts remains a serious problem, as does drug-related street crime.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The goals of USG assistance to and presence in The Bahamas are to destroy trafficking organizations, stem the flow of drugs through The Bahamas to the U.S., and strengthen Bahamian drug control and judicial institutions. With the permission of the GCOB, U.S. law enforcement agencies operate in The Bahamas in close coordination with their Bahamian counterparts, especially in support of OPBAT. In the summer of 1994, the GCOB supported a test deployment of Sea Based Apprehension Tactics (SEABAT), a waterborne expansion of OPBAT. SEABAT involves embarking an OPBAT U.S. Coast Guard helicopter and

a joint DEA-Bahamian law enforcement team, providing shiprider authority and OPBAT apprehension capability, aboard a U.S. Coast Guard cutter in Bahamian and adjacent international waters. The USG has provided training, equipment and intelligence to support both joint efforts and unilateral GCOB enforcement initiatives. In 1994, U.S. Customs conducted an Overseas Enforcement Training Program and a train-the-trainer workshop for the RBPF, RBDF and Bahamian Customs. The GCOB has supported and encouraged installation of USG counternarcotics detection and monitoring equipment. In 1994, despite strong objections from the GCOB, the USG closed three aerostat radar sites in The Bahamas for budgetary reasons.

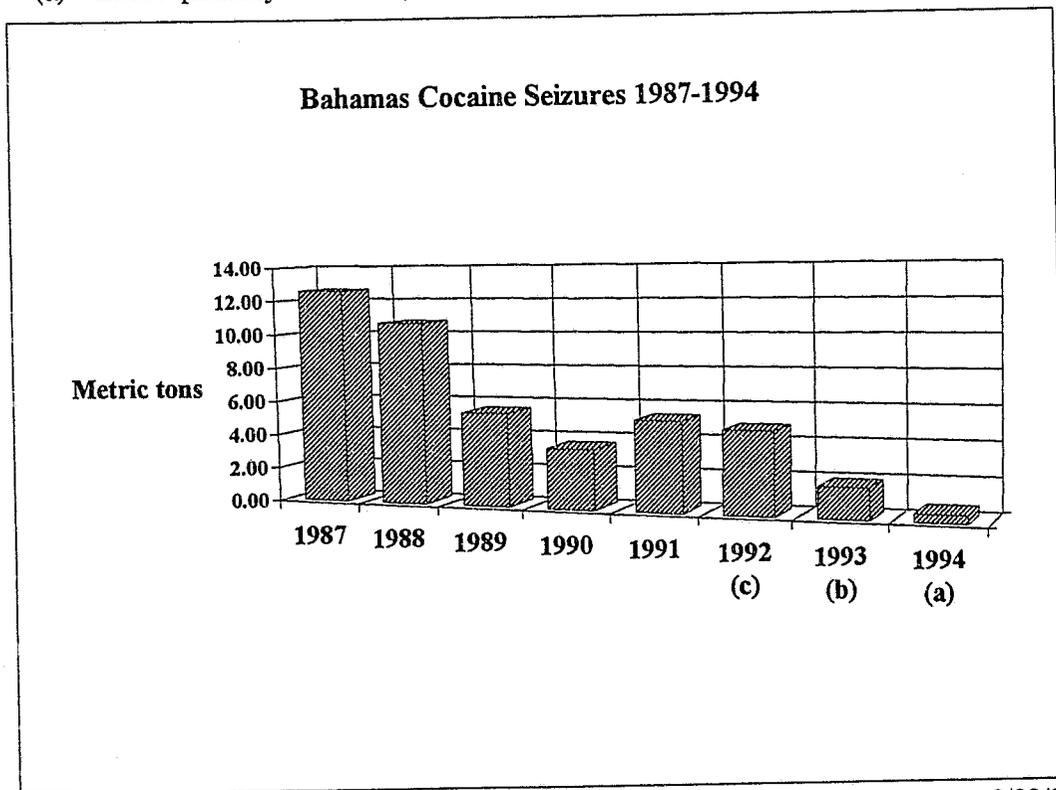
Under the authority of the asset sharing provisions of the U.S.-Bahamas MLAT, in late 1994 the USG transferred to the GCOB \$56,323, a portion of funds forfeited in the US in a trafficking case developed by U.S. law enforcement with considerable assistance from the RBPF. During 1994, the GCOB created a special account to hold all forfeited funds shared with The Bahamas under provisions of the MLAT. This account will be used exclusively for counternarcotics purposes.

**The Road Ahead.** Because of its location, The Bahamas will remain vulnerable to drug trafficking for the foreseeable future despite strong Bahamian efforts to combat trafficking. The Bahamians have demonstrated their determination to cooperate fully with USG counternarcotics efforts. Because of the country's small population, archipelagic expansiveness, strategic role in the Caribbean community, and limited resources, the GCOB will continue to depend upon significant USG assistance to fight the international narcotics cartels. A key objective of U.S. counternarcotics assistance in The Bahamas, however, remains the strengthening of the country's counternarcotics institutions to allow the GCOB to assume a greater share of the burden of combatting the traffickers. The USG will also continue to encourage the GCOB to forfeit assets it seizes from traffickers, both as an effective means of punishment and to better enable funding of its own drug control activities. In coming years, the USG will continue to place special emphasis on the joint judicial enhancement program, designed to improve the efficiency and effectiveness with which drug-related cases are handled. The USG also will support and encourage GCOB efforts to strengthen safeguards against money laundering and combat narcotics-related corruption.

**Statistical Tables**

TABLES for CY		1994 (a)	1993 (b)	1992 (c)	1991	1990	1989
<b>Seizures</b>							
Cocaine	[mt]	0.49	1.80	4.80	5.26	3.53	5.48
Heroin	[mt]	0.001					
Marijuana	[mt]	1.42	0.65	1.00	1.18	2.53	0.60
<b>Arrests</b>		1,025	1,023	1,135	1,085	1,443	1,255
<b>Consumption [d]</b>		negligible	negligible	negligible	negligible	negligible	negligible

- (a) 1994 seizures were in territory or vessels subject to Bahamian jurisdiction.
- (b) Of the total cocaine seized in 1993, .65 mt was seized in Bahamian territory.
- (c) In 1992, one seizure totalling .75 mt took place in international waters.
- (d) Exact quantity unknown, but believed to be negligible due to small population



2/22/95

## CUBA

### I. Summary

Cuba occupies a key geographic location astride primary air and maritime drug smuggling routes from the principal South and Central American drug exporting countries to the U.S. Given an absence of diplomatic relations and the short transit times of illegal drug movements, it is difficult to quantify the volume of drugs transiting in or near Cuban territorial waters or airspace. The Cuban Government (GOC) regularly denies that drug consumption, corruption, or drug-connected organized crime exist in the country. Cuban police have characterized drug consumption within the country to third-country diplomats as "insignificant." Bilateral U.S.-Cuban drug enforcement remains sporadic and ad hoc, but professional. Economic problems have caused fuel and spare parts shortages which have limited the GOC's ability to interdict suspicious vessels and aircraft violating Cuban territorial waters or airspace.

### II. Status of Country

There is little evidence to either support or refute Cuba's claim that illegal drug use "does not constitute a social problem" in the country. Since the celebrated trial and execution of top military and Ministry of Interior officials on drug smuggling charges in 1989, the Cuban government has insisted it has no evidence of drug-related corruption. Financier Robert Vesco, a fugitive wanted in the U.S. on drug charges, continues to enjoy sanctuary in Cuba, despite U.S. requests for his expulsion to the United States. Reports that Raul Castro, brother of Fidel Castro and the second-ranking individual in the Cuban hierarchy, was named in personal papers of deceased Colombian drug lord Pablo Escobar have been rejected by high Cuban officials as a "bare-faced lie" and a "manipulation by enemies of the Revolution."

Publicly, Cuban officials describe drug consumption -- in other countries -- as one of the most serious issues facing the international community. They insist that illegal drug production and consumption is demand driven. Cuban officials recognize their geographic location astride the principal production/consumption route is attractive to drug traffickers and are aware of the implications for drug consumption and trafficking that a rapidly expanding hard-currency tourist industry poses. While publicly favoring coordinated efforts to attack the problem, Cuban officials caveat such declarations by noting that respect for national sovereignty and non-intervention must provide the framework for any such cooperation.

U.S. law enforcement experts believe that drug traffickers successfully take advantage of the absence of U.S.-Cuban bilateral relations to avoid detection and capture by USG or Caribbean countries' law enforcement authorities by transiting through or near Cuban territory. Although surrounding countries (Bahamas, Haiti, Jamaica, Dominican Republic, Panama, Colombia, and Mexico) have been identified as major drug producing or drug-transit countries, lack of information and regular liaison precludes making any determination of Cuba's status. Smuggling operations in and around Cuba are presumed to primarily involve marijuana and cocaine.

Money laundering does not appear to be a problem at present, although the growing presence of U.S. dollars in the country -- from tourism, legalized possession by Cuban citizens, and foreign investment -- and provisions permitting foreign investors to repatriate profits in hard currencies, could be manipulated for money laundering purposes by drug traffickers.

The key law enforcement agency on drugs in Cuba is the Ministry of Interior's Narcotics Department. The Cuban Drug Commission is part of the Cuban Ministry of Justice. The Ministries of Interior, Foreign Affairs, Public Health, Customs and Border Guards are represented on the National Drug Commission.

Article 190 of the Cuban Penal Code provides for imprisonment from three to eight years for the production, transport, trafficking, possession with intent to traffic, or procurement for others of toxic drugs, hallucinogens, or hypnotic or narcotic substances. If the amounts of illegal substances are "relatively large," the sentences can range from seven to fifteen years. Privately-held land used to cultivate cannabis or other illegal crops is subject to confiscation.

### **III. Country Actions Against Drugs in 1994**

Most information about drug usage or seizures comes from the government-controlled media. There has been very little such information provided thus far for 1994. There are periodic rumors of a cocaine package washing up on a beach, or of drug-related arrests at local discos, all unsubstantiated. Cuban antidrug police have characterized most drug sales in the country as accidental, i.e., packages of drugs brought by currents to the country's northern beaches which are discovered and sold by passers-by to tourists or Cubans with hard currency rather than turned in to the police. According to Cuban authorities, only 1.2 percent of all crimes in 1993 were drug-related.

Cuban officials reported that 238 kgs of cocaine and 1.1 mt of marijuana were seized in 1994. In 1993, government officials and the media reported 3.3 mt of cocaine was seized in 79 different cases. Cuban officials have also reported that 377 persons were convicted of trafficking or possession in 320 cases during 1993; figures for 1994 were unavailable. Cuban authorities state that seized illegal drugs are burned in accordance with international practice.

Cuban officials have explained that two large seizures in late 1993 artificially inflated that year's statistics. They attribute the downturn in 1994 seizures to the deterrent effect of being better organized and to the mid-summer's rafters' crisis. The heavy presence of Cuban and U.S. Coast Guard vessels in the straits of Florida may have caused traffickers to alter their routes; some Cuban authorities are reportedly worried that a return to "normality" in 1995 may also lead to increased attempts by traffickers to again transit Cuban territory.

Cuban officials have indicated that they are preparing an educational campaign to deter drug usage. Details and dates of such a program are uncertain.

Cuba participated in several international fora in the past year. Cuban antidrug police have publicly stated the country's readiness to participate in bilateral and multilateral efforts with all countries, including the U.S. Cuba has applied for membership on the Commission on Narcotic Drugs (CND) at the April 1995 session of the UN Economic and Social Council. Cuba participated in the sixth meeting of Heads of National Drug Law Enforcement Agencies (HONLEA) in the Dominican Republic (May 30-June 3) and was elected co-vice chair of the conference. In October, Argentine specialists offered a course to a reported 30 Cuban Customs, Justice, Interior, and Public Health officials on combating drug trafficking. In November, the Cuban-Venezuelan Bilateral Working Group on Narcotics Cooperation held its second meeting in Caracas. The three-day meeting focused on information sharing in the areas of drug detection, canine training, precursor chemical and money laundering controls, and drug prevention, treatment and rehabilitation.

Cuba is a signatory to the 1961 UN Single Convention and its 1972 Protocol. Cuba has signed, but not ratified, the 1988 UN Convention. There is no indication from Foreign Ministry officials that ratification is imminent. However, this should not stop Cuba from taking the necessary steps to fully implement the Convention. Cuban law enforcement activities and a willingness to cooperate internationally on drug control matters indicate that Cuba is making efforts to comply with the goals and objectives of the 1988 Convention.

While Cuba has bilateral drug accords with several other regional countries, the 1904 U.S.-Cuban extradition treaty is not currently being implemented.

As of January 1995, only one U.S. citizen was known to be imprisoned in Cuba. The individual is not being held on drug-related charges. Two of the four U.S. citizens known to be imprisoned on drug smuggling charges were released and deported back to the U.S. in 1994. Since Cuba does not recognize dual nationality, it does not normally inform the U.S. Interests Section in Havana of the arrest, detention, or imprisonment of Cuban-American dual nationals. According to Cuban officials, however, over half of the smugglers arrested in Cuban territory in the past were Cuban citizens resident in the U.S. Most drug smugglers apprehended by the Cuban Border Guard are additionally charged with illegal entry into Cuba which is a crime carrying an additional two years imprisonment. The destination of drugs is not considered a relevant factor by Cuban courts.

#### **IV. Bilateral Cooperation**

The Cuban Civil Aviation Authority, through the Havana Air Traffic Control Center, continues to share real-time information on suspicious aircraft transiting Cuban airspace with the U.S. Federal Aviation Administration (FAA). Similar exchanges on suspicious maritime activity occur with the U.S. Coast Guard. Other bilateral exchanges of information and material between working level professionals occurs on a case-by-case basis.

## DOMINICAN REPUBLIC

### I. Summary

The Dominican Republic is a major transshipment country for illegal drugs destined for the United States. The country's strategic geographic location and its weak law enforcement and juridical structures make it a logical venue for drug trafficking. Dominican Government (GODR) commitment to counternarcotics enforcement, tougher enforcement actions by both the Dominican police and military, and cooperation between the USG and the GODR have aided in monitoring and countering drug trafficking activities. However, during 1994 there were indications that trafficking was on the rise. The GODR seized a record 2.8 mt of cocaine in 1994. Several multi-ton cocaine seizures in Puerto Rico and Florida were traced to shipments from the Dominican Republic. While money laundering has not been a major problem in the Dominican Republic, it may be increasing. U.S.-based Dominican traffickers use or invest their drug proceeds in the Dominican private sector with impunity. While improvements are needed in law enforcement, the judicial structure continues to be the weakest link in the GODR antidrug effort. Local law enforcement and drug prevention programs have helped limit local drug consumption.

### II. Status of Country

The Dominican Republic's prime location in the Caribbean, between Colombia and the U.S., its proximity to Puerto Rico, which was designated a High-Intensity Drug Trafficking Area (HIDTA) in 1994, and inadequate money laundering legislation make it vulnerable to drug trafficking and money laundering. The country's porous border with Haiti, unpatrolled coastline, and poorly paid and under-equipped police and military make it attractive to criminal organizations. Although use of the Dominican Republic (DR) by Colombian drug organizations remains the primary narcotics-related concern, Dominican trafficking organizations, with strong ties to criminal elements in New York City, Florida and Puerto Rico, are expanding their role in the country's illegal drug trade. It appears many of the organizations involved in the traffic of illegal immigrants are also involved in drug trafficking.

There is no cultivation of coca or opium poppy and very limited production of cannabis. Precursor and essential chemicals are controlled, and no processing has been detected. There is evidence that money is being laundered through the Dominican Republic, but the total amount is disputed. U.S.-generated drug profits are used with impunity in the Dominican Republic for construction, businesses, and personal luxury because there are no laws criminalizing money laundering.

The National Drug Council (CND) and National Drug Control Directorate (DNCD) operate drug abuse prevention and education programs. The combination of effective education programs and enforcement appears to be containing local drug consumption at a low level. Both the GODR and the Dominican private sector are focusing greater attention on treatment and rehabilitation of addicts.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** As a matter of public policy, the GODR is opposed to drug trafficking and drug-related corruption. During the year, President Balaguer twice submitted to Congress an amendment to the drug law to criminalize money laundering and permit seizure of assets in drug cases. The legislation was not passed by the Congress. The president will resubmit the legislation to congress in March 1995.

**Accomplishments.** GODR antidrug forces, especially the DNCD, enjoyed their most successful year since the passage of the Dominican antidrug law in 1988. The DNCD, assisted by the Dominican Armed Forces, seized approximately 2.8 mt of cocaine (160 percent increase over 1993) and 6.8 mt of marijuana and arrested 3,000 suspects for drug-related crimes. The defining characteristic of 1994 was the unprecedented cooperation between the DNCD and the Dominican Armed Forces as well as between USG and GODR counternarcotics forces.

**Law Enforcement Efforts.** The DNCD has developed a small cadre of experienced and well-trained officers from the Armed Forces and the police which succeeded in seizing multi-hundred kilogram loads of cocaine in 1994. While many of its operations were coordinated with USG agencies, the DNCD relied less on the USG for support than during previous years, and its operations and investigations were evidence of its growing independence and increasing strength as an organization. Despite this enhanced professionalism, DNCD efforts remain inconsistent due to poor analytical capacity, low salaries and the need to rotate personnel frequently -- as an anti-corruption measure. Also, limited resources will keep it dependent on the USG and other experienced countries for air and marine support, and for intelligence and analytical assistance.

Cooperation between the DNCD and the Dominican Armed Forces has been good, but a lack of resources has traditionally hindered Navy and Air Force participation in antinarcotics operations. Following the appointment of a new Secretary of Defense in mid-1994, the Dominican military appeared to become more aggressive in combatting drug and alien smuggling. The Navy and Air Force expanded their law enforcement roles using USG-provided inflatable boats and helicopters, originally intended for Haiti embargo enforcement. This new equipment, in addition to the Navy's six patrol boats (refurbished by the USG in late 1993), enabled the Armed Forces to respond to situations typically handled by U.S. counternarcotics forces.

Although the use of clandestine air strips has been reduced, off-shore airdrops between Puerto Rico and the Dominican Republic have continued. In addition, GODR and U.S. Embassy antidrug officials speculate that drugs are being smuggled over the border from Haiti using the same techniques, routes, and assets that smugglers employed to smuggle petroleum into Haiti during the embargo.

The judicial system is outdated, ineffective and corrupt. Dominican law enforcement attempts to convict drug traffickers and seize assets are often undermined by long delays, poor preparation by prosecutors and release of suspects. Corruption appears to have played a role in the dismissal of some trafficking cases and the premature release of convicted narcotics traffickers. Hundreds of Dominican traffickers, charged with narcotics offenses committed in the U.S., have returned to the DR. The GODR has not extradited any of these fugitives from U.S. justice.

The DNCD and the Ministry of Public Health and Social Services enforce the chemical control section of the Drug and Substance Control Law through export and import recording or use. Control of chemicals is strict and, while there is no formal bilateral agreement with the USG, cooperation is good. The GODR is a party to the 1988 UN Convention and was a signatory of the Program of Action of Ixtapa, both of which obligate it to pursue chemical controls.

**Money Laundering.** The exact nature and extent of drug-money laundering is unclear, but there are indicators of a serious problem. Significant amounts of money (U.S. dollars) are sent from the Dominican Republic to the U.S., more than is generated by legitimate industry in the Dominican Republic. However, weak laws and regulations make it difficult to differentiate between the proceeds of narcotics sales and other monies. Although the proposed money laundering law would provide some means to counter illegal efforts to launder money, GODR financial investigation units currently lack the necessary training to enforce its provisions.

**Corruption.** The GODR does not as a matter of policy encourage or facilitate illicit drug production or trafficking, or the laundering of illicit proceeds therefrom, but official corruption is endemic. A USG policy to link denial of visas to drug-related corruption had some effect. Nevertheless, the GODR has yet to act forcefully to identify and eliminate official corruption.

**Agreements and Treaties.** In 1993, the Dominican Republic acceded to the 1988 UN Convention and the 1972 Protocol to the 1961 Single Convention. The GODR's efforts in law enforcement, especially its cooperation with USG agencies and its information collection and sharing via its well-managed Joint Information Coordination Center (JICC), control of precursor and essential chemicals, drug abuse prevention and education, and its allocation of financial resources to drug control efforts, are consistent with the goals and objectives of the 1988 UN Convention. More action is needed, however, in areas such as money laundering, asset forfeiture, and corruption.

The GODR's accession to the 1988 UN Convention and the 1972 Protocol incorporated drug crimes into its bilateral extradition treaties. The GODR has not recently extradited its own citizens to other countries in exceptional cases in the past. However, the GODR provides excellent cooperation in deporting U.S. and third-country nationals who are fugitives from U.S. justice. In 1994, twelve fugitives were deported upon request of the USG. Bartolome Moya, one of the USG's most wanted drug fugitives, was returned voluntarily in November.

**Demand Reduction Programs.** Both the CND and DNCD have demand reduction programs. Their programs are financed by the GODR, USG, UNDCP, and Germany. In 1994, the GODR and USG teamed up with Major League Baseball to implement a baseball-based drug prevention program in Dominican high schools. The DNCD also coordinates with Dominican baseball players in a drug prevention-baseball clinic program.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The primary U.S. narcotics goals in the Dominican Republic are to assist the Dominicans in strengthening their democratic and law enforcement institutions, improve the administration of justice, and curb the flow of illegal drugs from source countries through the Dominican Republic to the U.S.

**Bilateral Cooperation.** In 1994, emphasis was placed on expanding collaborative efforts, strengthening Dominican participation and improving communication between GODR and U.S. law enforcement agencies. This led to increased bilateral interaction, especially between the Dominican Navy and the U.S. Coast Guard, which conducted several joint operations in 1994. Recent successful Dominican Republic Navy seizures are likely results of those efforts. The GODR accomplished the goals set out in the 1994 bilateral narcotics letter of agreement. However, some coordination problems still exist, as evidenced in a recent maritime interdiction operation in which a Dominican Navy vessel fired on a foreign vessel suspected of carrying drugs without notifying a USCG vessel participating in the operation. However, nearly three mt of marijuana was discovered on the vessel. The USG and GODR are currently working to improve communications and coordination.

Also, the USG provided the GODR with approximately \$15 million in security assistance for helicopters, boats, vehicles, radios, parts and training, for use in enforcing the UN embargo against Haiti. Following the termination of the embargo, the Dominican Armed Forces shifted most of these assets to the GODR's military antidrug operations, enabling an increase in their level of participation.

**The Road Ahead.** The GODR is slowly building and fortifying its counternarcotics institutions. Dominican and USG drug control cooperation is improving. However, the Dominican Republic's location and economic under-development will continue to make it susceptible to drug trafficking. While USG support is important to counternarcotics efforts in the Dominican Republic, long term success depends on continued Dominican commitment to all aspects of narcotics control.

Two principal USG priorities in 1995 are to press for the extradition or rendition of fugitive drug traffickers to the U.S. and to negotiate a maritime interdiction agreement with the GODR. The USG also will encourage the GODR to pass the proposed money laundering and asset seizure legislation, and take steps to improve its judicial system.

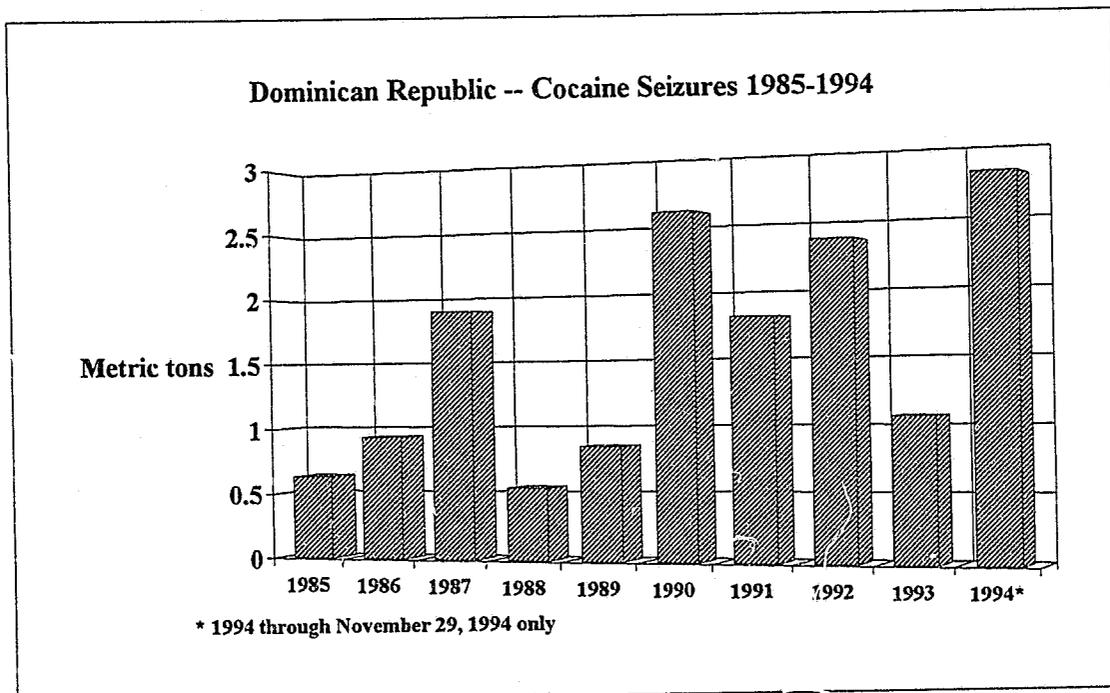
DOMINICAN REPUBLIC 1995 INCSR

Statistical Tables

TABLES* for CY		1994*	1993	1992	1991	1990
<b>Seizures</b>						
Cocaine	[mt]	2.8	1.073	2.36	1.81	2.59
Marijuana	[mt]	6.81	0.305	6.45	0.40	0.48
Vehicles		97	-	211		
Motorcycles		188	-	197		
Vessels		13	-	8		
<b>Arrests</b>						
Nationals		2,810	-	4,484	3,345	2,767
Foreigners		158	-	264	150	217
Total Arrests		2,968	5,635	4,748	3,495	2,984
<b>Users (thousands)</b>						
Cocaine/marijuana		-	-	35	35	35

Figures for drug abusers are derived from a 1992 AID-funded drug prevalence survey.

Sources of Data: Cocaine Seizures-DEA;  
 Marijuana seizures and arrests-DR authorities;  
 Users-USEmbassy, Santo Domingo.



## GUYANA

### I. Summary

Guyana is a country of 215,000 square kilometers on the north Atlantic coast of South America. An undetermined amount of marijuana is grown year-round in the hot, wet, heavily forested and sparsely populated interior of the country, especially along the many rivers and streams. Police have no evidence of cocaine, hashish, heroin, or opium production in Guyana or coca cultivation. The police and military destroy some cannabis fields and occasionally seize marijuana or cocaine at the country's only international airport, where five trained drug detection dogs are in use, or at other locations. Although Guyana is a party to the 1988 UN Convention, it lacks the full range of implementing legislation to have a viable control effort. Furthermore, Guyanese counternarcotics forces are too poorly trained and equipped to have much of an impact.

### II. Status of Country

Cocaine enters Guyana from its three neighboring countries: Venezuela, Brazil, and Suriname. Cannabis is grown along creeks and in riverine areas and transported along waterways and roads for air or maritime export. Dozens of small airfields are scattered throughout Guyana, many in areas almost inaccessible by land, which could allow light aircraft to ferry drugs into and out of the country with little chance of police interception.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives/Accomplishments.** Guyana has ratified the 1988 UN Convention, but lacks the full range of implementing legislation. Although there is a law allowing courts to seize assets used in illegal drug activities or purchased with the proceeds from illegal drug activities, no assets have been seized. Guyana representatives attended a regional asset forfeiture training seminar for investigators and prosecutors in Jamaica sponsored by UNDCP. Guyana has no laws governing money laundering. A functioning U.S.-Guyanese extradition treaty dates from the time the country was a British colony, but is infrequently used. In 1988, the Government of Guyana (GOG) crafted a strategy for dealing with the drug problem. Although not yet formally approved by the president, the GOG takes steps to implement its strategy, which covers the areas of legislation, education, enforcement, rehabilitation, and regional and international cooperation. The strategy calls for the president to chair the National Drug Law Enforcement Committee (NADLEC), which meets monthly. Committees on education, rehabilitation, and joint-narcotics operation are subordinate to NADLEC. The Ministry of Health and the Police Drug Enforcement Unit conduct narcotics awareness programs at schools. UNDCP also finances a drug-use reduction program in Guyana.

**Law Enforcement Efforts.** GOG efforts to fight production of marijuana and shipment of cocaine are hampered by lack of resources. The Guyana Police Force (GPF) created a 12-man drug enforcement unit in 1975. By 1994, the unit consisted of 31 persons. The Guyana Defence Force (GDF) conducts joint operations with the GPF, but the GDF's only two helicopters were inoperative for most of 1994. The GPF has no aircraft. Nevertheless, during 1994 police reported 57 ha of cannabis destroyed in the field and a total of 54.8 mt of marijuana destroyed in Guyana. Police reported 76 kgs of cocaine seized in 1994. By comparison, for 1993 police reported 15.6 mt of marijuana destroyed and 463 kgs of cocaine seized. The smaller amount of cocaine seized in 1994 compared with 1993 does not necessarily indicate a decrease in the amount of drugs transiting the country. It may be the result of more sophisticated techniques and coordination on the part of drug smugglers or an insufficient drug enforcement unit. Police estimates of field destruction of cannabis are subjective and based on an individual perception of the number of plants, their size and spacing.

In 1994, police handled 401 marijuana cases, charging 516 persons of whom 120 were convicted, and 186 cocaine cases, charging 252 persons of whom 93 were convicted. Twenty-three marijuana cases and 10 cocaine cases were dismissed.

**Corruption.** In July, virtually all members of the drug enforcement unit were transferred to other duties after an investigation uncovered evidence that some of them may have been involved in a ring smuggling illegal aliens into Canada and the U.S. In June, a Guyanese customs officer was arrested on suspicion of assisting two suspects in an attempt to by-pass inspection of a bag containing 13.5 kgs of cocaine. The two suspects were Guyanese-American passengers on a New York-bound flight. There was no indication that more senior government officials were involved in drug-related corruption.

**Money Laundering.** Police suspect that some laundering of drug money may take place in Guyana, but have no hard evidence. The U.S. and Guyana signed a tax information exchange agreement in August 1992, which could facilitate cooperation on money laundering.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG seeks to improve the capability of the GPF and GDF to intercept cocaine passing through Guyana and to locate and destroy marijuana grown in Guyana. Under a letter of agreement, the USG provides training and equipment for police and military personnel for use in the struggle against illegal drugs. In 1994, the USG assisted Guyana in setting up a Joint Information Coordination Center (JICC), which became operational in December. The JICC draws members from the GPF, GDF, customs, and coast guard. The USG also provided two four-wheel-drive vehicles and some spare parts to the GPF. The narcotics detector dog program in Guyana consists of five dogs, three of which were provided by the U.S. and two by the UK. The dogs, stationed at the airport, have only intermittently been employed to inspect air cargo, due to severe health and maintenance problems. The program is now under close scrutiny, and

remedial measures are being taken, including USG-funded provision of attentive veterinary care. The GOG generally fulfills its obligations under its letter of agreement with the USG, with the exception of adequate oversight of the detector dog program.

**Road Ahead.** Authorities expect the amount of cocaine shipped through Guyana to increase as narcotics traffickers continue to develop routes around drug interdiction efforts in the Caribbean and South America. The USG will press the GOG to adopt needed narcotics-control legislation and, to the extent resources are available, assist in strengthening narcotics enforcement and judicial institutions. The USG will also monitor and support the detector dog program, including provision of administrative training, especially because it appears to be an effective deterrent to trafficking through the airport and, if made fully viable, could usefully be expanded to the Georgetown wharves and at checkpoints on overland routes.

## HAITI

### I. Summary

The Government of Haiti (GOH) underwent a major transformation in 1994. For the first nine months of the year, Haiti was controlled by the military, acting in concert with an illegally appointed civilian government which the USG did not recognize, and which in turn provided little cooperation or information. In fact, some members of the military and their families were suspected of being directly involved in drug trafficking. With the return of President Aristide to Haiti on October 15, however, the USG anticipates that there will be much greater cooperation and planning between the U.S. and the GOH.

Although there is only incomplete information about the extent of cocaine transiting Haiti, the USG believes that Haiti remains a base of operations for Colombian trafficking organizations and an increasingly-important transshipment point for the movement of South American cocaine to the U.S. However, compared with other areas such as the Bahamas or Mexico, the current level of detected air and maritime drug-related activity in Haiti is low.

### II. Status of Country

Haiti's geographic location between Colombia and the U.S., coupled with a long, unpatrolled coastline, mountainous interior, and the presence of numerous uncontrolled airstrips, make the country an ideal site for illicit narcotics trafficking. Inadequate law enforcement and interdiction capabilities, an underdeveloped economy and lack of economic opportunity and the susceptibility of Haitian officials to corruption, make Haiti even more desirable for trafficking. As a result, Colombian trafficking organizations are using Haiti as a transshipment and storage point. Marijuana and some heroin are also transshipped through Haiti.

In 1994, a total of 716 kgs of cocaine was seized in Haiti, 530 kgs in the first half of the year alone. This was more than in any of the three previous years: 1993, 157 kgs; 1992, 56 kgs; 1991, 188 kgs. In 1994, most of the seizures and arrests took place during the first half of the year. The reduction in seizures in mid-late 1994 resulted from several factors. As the international community tightened sanctions against the de facto regime, cooperation with the Haitian counternarcotics authorities lagged. In addition, the UN-imposed embargo, implemented in the spring of 1994, and the concomitant increase in vigilance around Haitian territory effectively closed traditional avenues for trafficking. Finally, the de facto government's focus on heightened public security in the face of dwindling resources took priority over counterdrug measures.

The responsibility for counternarcotics law enforcement currently falls under Haiti's Ministry of Defense. Two drug units, subordinate to the Haitian military, have existed up to now to coordinate intelligence gathering and interdiction activities. The National Narcotics Bureau (NNB) directs law enforcement activities; it is subordinate to the military Chief of Staff and is comprised of 40 officers and enlisted men. The Center for Information and Coordination (CIC) is responsible for the collection, analysis and dissemination of intelligence for narcotics law enforcement and has about 30 security service personnel. Counternarcotics operations have, up to now, been controlled by the military and conducted primarily by the Army and the National Police, which used to report to the Army Commander. Haiti's Air Force and Navy have also had counterdrug responsibilities, but resource constraints severely limited their involvement in drug control operations. The limited resources mean these elements are woefully inadequate for the task. With the restoration of the legitimate government in Haiti in September, both the police and armed forces are undergoing major changes. A new, professional police force, separate from the Armed Forces, is being formed, and the Armed Forces themselves will be drastically reduced. Thus, the structure described here will probably change. Such change will most likely be for the better, as Haiti's antidrug laws were ineffectively enforced under the de facto regime.

Haiti's judicial system -- a key component in any antinarcotics effort -- is badly in need of repair. It has brought few traffickers to justice, and even when arrests have been made, defendants are routinely released through "payoffs" or on a technicality within days of arrest and almost never come to trial. In parallel with the U.S. effort to overhaul the Haitian police, there is a separate program to reform and improve Haiti's justice system. A short-term training program for local judges and prosecutors is now un'er way, and other elements of the program will begin shortly.

We have no information on money laundering in Haiti in 1994, but there are no laws against this kind of activity. There is almost no information available on precursor chemical activities in Haiti.

### **III. Country Action Against Drugs in 1994**

**Policy Initiatives.** There were no significant changes in GOH international narcotics control policy during 1994. Political issues continued to overshadow counternarcotics.

**Accomplishments.** The most significant accomplishment in Haiti in combatting trafficking in 1994 was the increase in cocaine seizures -- 716 kgs. As relations between the U.S. and Haiti became more strained, cooperation on counternarcotics initiatives was further adversely affected.

**Corruption.** There were numerous allegations that members of the Haitian Armed Forces, including high-ranking officers, were involved in narcotics trafficking. Following the return to power of the legitimate government in September 1994, a system was set up by the U.S. and Haitian

governments to screen all members of the Armed Forces for suitability for retention. Involvement in narcotics offenses was one of the criteria for being removed from the Armed Forces. In addition to this screening process, investigations continued to seek possible indictments against officers who may have violated U.S. law.

**Agreements and Treaties.** The GOH is a party to the 1961 UN Single Convention on Narcotic Drugs and the 1972 UN Protocol amending this Convention. It did not sign the 1988 UN Convention and has not yet acceded to it. An extradition treaty between the USG and the GOH was not used for most of 1994 because of the political situation. It was, however, reaffirmed in October 1994. The treaty does not obligate the parties to extradite their own nationals, and Haiti's constitution forbids the extradition of its citizens. The GOH has cooperated with the U.S. on return of fugitives in the past, although no one was deported for drug offenses to the U.S. in 1994. With the legitimate government restored to power, we look forward to more cooperation in 1995.

**Demand Reduction Programs.** During 1994, the *de facto* regime maintained its demand reduction programs sponsored by the UN. The program emphasizes drug abuse awareness via television and radio. The effects of the embargo, however, also limited this program.

#### **IV. U.S. Policy Initiatives and Programs.**

**Policy Initiatives.** USG efforts to strengthen Haitian counternarcotics institutions and capabilities were suspended until the political crisis was resolved. A wide array of programs are now being implemented.

**Bilateral Cooperation.** U.S. law enforcement agencies cooperate with Haitian counternarcotics authorities at the operational level on an *ad hoc* basis. As a result of the political situation in Haiti, however, a letter of agreement signed in August 1991 to provide additional U.S. resources to the CIC and NNB was not implemented. A USAID-funded Administration of Justice project, however, designed to strengthen the judicial system, promote human rights and foster development of a professional and efficient legal system has been reactivated, with the signing in November of a project implementation letter.

**The Road Ahead.** Now that the political crisis has been resolved, we anticipate a full roster of counternarcotics programming, including enacting needed legislation covering precursor and essential chemical controls, money laundering and asset seizure, and forfeiture. We will also encourage the GOH to ratify the UN Convention and address such central issues as judicial reform, narcotics-related corruption, and bilateral and multilateral cooperation.

HAITI 1995 INCSR

**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990
<b>Seizures</b>						
Cocaine	[mt]	0.717	0.157	0.06	0.19	0.93
Marijuana	[mt]	0.046	2.520	*	0.33	0.05
Heroin	[mt]	-	0.002	*		
<b>Arrests</b>						
Nationals	persons	102	50	*	na	149
Foreigners	persons	5	2	*	na	6
Total Arrests		107	52	*	200	155
<b>Users (thousands)**</b>	persons	*	*	*	250	250

\* Not available.

\*\* Previous year's INCSR's have incorrectly included alcohol abusers with illicit drug users. The 250,000 figure shown for all years is a rough estimate of drug usage.

## JAMAICA

### I. Summary

Jamaica is both a major producer of marijuana and a flourishing transshipment site for South American cocaine en route to the U.S., The Bahamas, Canada, and Europe. Although not a party to the 1988 UN Convention, the Government of Jamaica (GOJ) took steps to fulfill the goals and objectives of both the Convention and U.S.-Jamaican counternarcotics agreements. During 1994, the GOJ passed an asset forfeiture bill and continued its marijuana eradication operations, clearing nearly 700 ha. The GOJ actively cooperated with the DEA Kingston country office in drug law enforcement matters as well as the U.S. Department of Justice (DOJ) in extradition cases.

### II. Status of Country

Many major marijuana traffickers in Jamaica also deal in cocaine, since it is more lucrative and easier to conceal. The increasing size of seizures of cocaine and marijuana, along with occasional heroin seizures, gives evidence of Jamaica's dual roles as a major producer of "ganja" (marijuana) and as an increasingly important drug transshipment site. Although there has been a recent rapid build-up of foreign currencies, especially U.S. dollars, in the central bank, observers do not believe it is from money laundering, of which there is scant evidence. Nor does illegal use or transfer of precursor chemicals appear to be a problem at this time.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The GOJ passed a long-awaited asset forfeiture law. Although yet to be used by the courts, this represents legislative progress. The GOJ indicated the next priority would be the passage of mutual legal assistance treaty (MLAT) enabling legislation, paving the way for the ratification of our 1989 bilateral MLAT. The GOJ has assigned a lower priority to submission of a money laundering bill, since money laundering has not been a particular problem in Jamaica. Passage of a money laundering bill, however, would remove impediments to Jamaican ratification of the 1988 UN Convention. Parliament also recently passed an amendment to Jamaica's Dangerous Drugs Act to stiffen fines and prison terms for convicted traffickers. The GOJ indicated that national supply and demand reduction plans are in draft, following a UNDCP national planning workshop in Barbados last fall attended by four GOJ representatives. In the area of regional cooperation, Jamaica continues to pursue with UNDCP the establishment of a regional law enforcement training center, to which the USG pledged \$750,000. The GOJ forwarded its training plan and project document to the UNDCP in Barbados in September, and a UNDCP committee is currently reviewing the proposal. A crop substitution program funded by the European Union (EU) gained GOJ acclaim in 1994. The EU's St. Ann's Parish rehabilitation program is credited with helping some 3,000 ganja farmers switch to legal crops at a project cost of approximately \$152,000.

**Accomplishments.** The GOJ has taken many actions consistent with the goals and objectives of the 1988 UN Convention and U.S.-Jamaican counternarcotics agreements, especially in the areas of eradication, interdiction, extradition, controlling public corruption, and some legislation. More legislation is needed, however, regarding mutual legal assistance and money laundering. The GOJ cooperated fully in a U.S.-Jamaican initiative in November to estimate the total amount of growing marijuana in order to resolve a wide discrepancy between U.S. and GOJ crop estimates. The combined team of DEA, Jamaica Defense Force (JDF), and Jamaica Constabulary Force (JCF) personnel estimated a total of 232 ha growing throughout Jamaica, plus an identical area just harvested. The JDF and JCF quickly organized a task force to eradicate the 232 hectares spotted by the joint exercise. During 1994, a total of almost 700 ha of marijuana was eradicated, exceeding the total of 456 ha eradicated in 1993. Forty-six mt of marijuana were seized and destroyed by the JDF and JCF, and 179 kgs of cocaine were seized by the JCF. Reported drug offense arrests of Jamaicans and foreigners totalled 1,416 in 1993, which dropped to 886 in 1994. The Jamaican Joint Information Coordination Center (JICC) continued to actively report drug trafficking data to DEA's El Paso Intelligence Center.

The GOJ passed an asset forfeiture bill in August and sent four representatives to a UNDCP-sponsored November asset forfeiture workshop. To date, however, no asset forfeiture cases have been brought before the courts. Jamaica continues to be one of the USG's most active extradition partners. Jamaica extradited to the U.S. two individuals charged with drug trafficking. A number of other extradition cases related to drugs were pending. The GOJ has not yet passed MLAT-enabling legislation to ratify our bilateral MLAT of 1989. At present there are no legislative controls over the import and use of precursor chemicals, although Jamaica has a precursor chemical control program, operated by the GOJ's export-promotion agency, which monitors the flow of precursor chemicals into and within Jamaica. Jamaica produces only a limited amount of pharmaceutical drugs. We have no information that chemicals are being diverted to illicit channels in Jamaica.

The National Council on Drug Abuse (NCDA) continues its UNDCP-funded program to reduce drug demand and abuse in Jamaica through sixteen community action councils throughout the island.

**Law Enforcement Efforts.** During 1994, the excellent collaboration of the JCF with DEA's Kingston office resulted in the arrest of 40 traffickers (of whom 45 percent were class I and II violators by DEA criteria), compared to 54 such arrests in 1993 (of which 48 percent were class I and II violators). Of the total number of drug trafficker arrests in 1994, an increased percentage was for cocaine violations, compared to 1993 figures. Jamaica's law enforcement agencies arrest a respectable number of drug-trafficking suspects; the problem lies in their prompt prosecution and conviction. For this reason, the USG is directing more resources toward judicial reform to improve the flow of drug cases through Jamaica's court system and obtain more convictions. The GOJ cooperates fully in this effort.

**Corruption.** The GOJ has taken a number of measures to prevent and punish official corruption. Sons of a top Jamaican government official were arrested for marijuana trafficking. The case, still in trial, indicates there is no immunity from arrest where drug allegations are concerned. Since September 1993, the Commissioner of Police has attempted to de-politicize the police force and rid it of corrupt officers, largely by transferring suspect personnel. The Commissioner has visibly improved the integrity, efficiency, and pride of the JCF during his relatively short tenure. The Commissioner fully supported USG revocation of the visas of several police officers suspected of drug trafficking connections. The GOJ neither encourages nor facilitates illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. No senior GOJ official has been officially charged with engaging in or facilitating the production or distribution of illicit drugs or substances, or the laundering of proceeds from illegal drug transactions.

**Agreements and Treaties.** In 1994, the GOJ enacted an asset forfeiture law. The GOJ has not yet ratified the U.S.-Jamaica MLAT nor has it ratified the 1988 UN Convention. MLAT ratification is the GOJ's declared next priority among anti-narcotics bills. The GOJ signed a 1988 bilateral counternarcotics agreement with the USG, which is amended annually, and a 1991 bilateral extradition treaty.

**Cultivation and Production.** Jamaica produces marijuana year-round and island-wide. The GOJ reinvigorated its marijuana eradication program during 1994, eradicating 692 ha, a 52 percent increase over 1993 eradication. Cultivated acreage is estimated through aerial surveys, the most recent being a joint DEA-JDF-JCF survey of the entire island in November, which resulted in a mutually-agreed total of 232 ha of marijuana cultivation seen at that time. An equal area of just-harvested ganja was seen from stubble, making the crop total 464 ha. It is possible to have a maximum of four crops of some ganja varieties per year. The USG estimates a total of approximately 1,000 ha of ganja grown in 1994 in Jamaica. Crop yield is estimated by multiplying the number of hectares by the factor of .675 to determine the number of metric tons of ganja produced. The GOJ has not favored proposals to eradicate marijuana by aerial spraying. Its strong objections are based on ecological and political concerns.

**Drug Flow and Transit.** The USG can quantify the drug seizures reported by the GOJ but cannot accurately estimate the total amount of drugs produced in or transiting Jamaica. In 1993, 75 mt of marijuana were seized. During 1994, that amount decreased to 46 mt, perhaps due to successes of the eradication and interdiction programs. We remain concerned that 1994 cocaine seizures were 179 kgs, exceeding the 1993 total of 160 kg. This could mean that cocaine trafficking is increasing. Heroin may eventually pose a threat equal to that of cocaine in Jamaica, in the opinion of DEA's Kingston office. Heroin identified in Jamaica has come from Colombia, as does most of the cocaine seized here.

**Demand Reduction.** The NCDA's major demand reduction program is not making appreciable progress at this time due to internal NCDA problems. Drug treatment facilities are lacking both in number and dispersion. There are only four such facilities, all in Kingston.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG program objective is to continue to work with the GOJ to improve its counternarcotics laws, agreements and institutions in order to increase the effectiveness of its narcotics control efforts, specifically to increase major drug trafficker arrests, drug seizures, and the convictions of drug traffickers in Jamaica's courts. In 1994, U.S. Customs presented several training courses to Jamaican law enforcement entities.

**Bilateral Cooperation.** In 1994, Jamaica generally fulfilled its obligations under its letter of agreement with the USG. GOJ cooperation under our extradition treaty is excellent. With U.S. assistance, the GOJ eradicated 692 ha of marijuana, considerably exceeding its total 1993 eradication of 456 ha. The GOJ satisfactorily accomplished interdiction and demand reduction goals.

**Road Ahead.** Future USG support will concentrate on judicial reform to improve the conviction rate of arrested drug traffickers. The USG will press the GOJ to fulfill its legislative promises: pass an MLAT-enabling bill, ratify the MLAT, pass a money laundering bill, and, finally, ratify the 1988 UN Convention. A promising new forum for these exchanges has been established at the USG's initiative: a GOJ-USG anti-narcotics committee which meets monthly in Kingston. The USG will support demand reduction training in secondary schools and for the Jamaican public, as well as train and equip Jamaican antinarcotics agencies to better perform their interdiction responsibilities. The USG will monitor important regional programs and projects of the GOJ and the UNDCP, to include the regional training center and the NCDA's integrated demand reduction program.

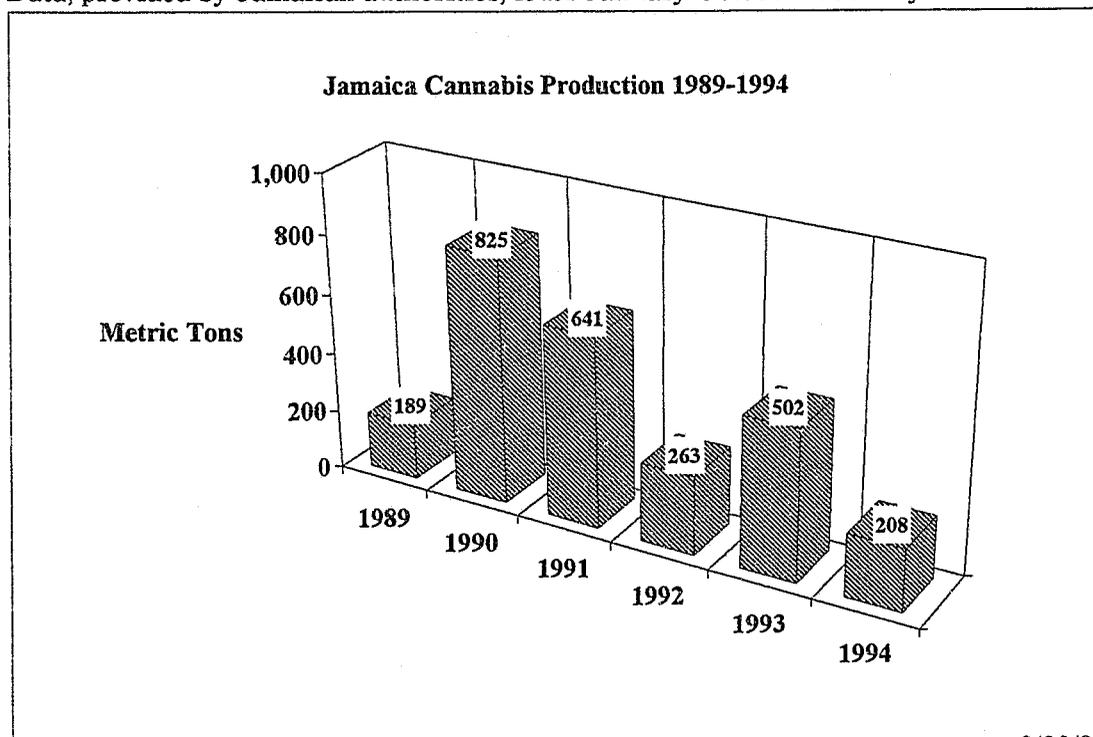
**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990
<b>CANNABIS</b>						
Harvestable Cultivation	[ha]	308	744	389	950	1,220
Eradication	[ha]	692	456	811	833	1,030
Cultivation	[ha]	1,000	1,200	1,200	1,783	2,250
Potential Yield /a	[mt]	208	502	263	641	825
<b>Seizures /b</b>						
Cocaine*	[mt]	0.179	0.160	0.49	0.06	0.76
Marijuana	[mt]	46.00	75.00	35.00	43.00	29.00
Hashish Oil	[kg]	47.00	235.00	165.00	171.00	-
Heroin	[mt]	0.001	0.001	0.002	-	-
<b>Labs Destroyed</b>						
Hashish Oil		-	2	-	-	-
<b>Arrests</b>						
Nationals		788	899	785	4,353	4,908
Foreigners		98	517	364	674	524
<b>Total Arrests</b>		<b>886</b>	<b>1,416</b>	<b>1,149</b>	<b>5,027</b>	<b>5,432</b>

\*412 kg of the HCl seized in 1992 was part of DEA controlled delivery.

[a] Yield is based on 675 kilograms per hectare.

[b] Data, provided by Jamaican authorities, is for January-October 1993 only.



2/23/95

## NETHERLANDS ANTILLES AND ARUBA

### I. Summary

The Netherlands Antilles and Aruba serve as important links in the transshipment of cocaine from Colombia, Venezuela, and Suriname to the U.S. and Europe. Aruba, Bonaire and Curacao (the ABC islands) are the bases for transshipment organizations sending shipments to the U.S. and Europe. In 1994, Aruban authorities noted an increase in drug transshipment destined for the U.S. as well. Money laundering organizations use banking, free zones, and resort and casino complexes to transfer and launder drug proceeds. The Government of Aruba (GOA) and the Government of the Netherlands Antilles (GONA) recently agreed to join with the Government of the Netherlands (GON) to enact and enforce money laundering legislation.

The GONA and the GOA, with assistance from the Netherlands, also are trying to reorganize police agencies to increase cooperation among the island governments and their law enforcement agencies. The islands' few demand reduction programs are splintered, with government and private industry organizations attempting to implement programs without meaningful coordination. Although the GON has ratified the 1988 UN Convention, neither the GONA nor the GOA has taken action that would permit extension of the Convention to them. Their respective parliaments have not passed legislation that would enable them to comply with the Convention's obligations.

### II. Status of Country

The ABC islands are located near the coast of Venezuela, the origin of most of the drugs; most are shipped by sea. Cocaine is transshipped from the islands to the U.S. and Europe via couriers on commercial airlines and cruise ships, and in air cargo. Some shipments have been large enough to require the use of containers. St. Maarten has become a major center for air drops in the Leeward Islands. The GON has implemented new measures to close the Antilles as a money laundering route by involving the GONA and GOA in investigating irregular banking transactions.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** As noted, the GONA and the GOA have joined with the GON to combat money laundering activities. The new laws, to go into effect in mid-1995, will provide for the reporting of all irregular transactions and other transactions over 25,000 Guilders (approximately \$13,000). The three governments also are attempting to establish a coast guard. The GONA is reorganizing its police department to concentrate more on preventing crime, including combating drug trafficking and associated crimes.

**Accomplishments/Law Enforcement Efforts.** GONA law enforcement officials have had some modest successes in interdicting and seizing drug transshipments. The GOA, however, is not accommodating in sharing law enforcement statistics, so hard data on its interdiction record are not

available. However, GONA and GOA police officials have assisted the U.S. Department of Justice in arresting and extraditing important Colombian traffickers; they also have provided valuable information leading to arrests in the U.S. Laws pertaining to asset seizure are new to the Netherlands Antilles and Aruba; consequently, such seizures are rare.

**Corruption.** In 1994, officers from the Curacao police department were arrested in the U.S. and in the Netherlands for narcotics trafficking offenses; there have been other arrests of police officials as well. Recognizing the need for reform, and in response to an initiative by senior police officials, the GONA is reorganizing the police department and hopes to establish an independent organization to conduct internal investigations.

**Agreements and Treaties.** The Netherlands has not yet extended the 1988 UN Convention to the GONA or the GOA. The USG-Netherlands extradition treaty applies to the Netherlands Antilles and Aruba. During 1994, Aruba extradited to the U.S. several fugitives arrested on drug charges.

**Demand Reduction.** There is no centralized demand reduction program either in the Netherlands Antilles or in Aruba, but drug abuse continues to increase. Efforts are underway to establish programs and the private sector has taken some pro forma steps toward an educational drug abuse program.

#### **IV. U.S. Policy Initiatives and Proposals**

**Policy Initiatives.** The USG first seeks to strengthen counternarcotics coordination among the various law enforcement agencies on the islands. Other goals include improved statistical data and information sharing; the establishment of a coast guard; drug control training for law enforcement officials; and the establishment of centralized demand reduction programs.

**Bilateral Cooperation.** Although the GONA and the GOA have in the past participated in U.S. and Dutch law enforcement training, the two governments did not respond to requests for participant nominations in the last two years. There is better cooperation regarding requests for provisional arrests and for the extradition of individuals wanted in the U.S. for narcotics offenses.

**The Road Ahead.** Powerful South American trafficking organizations have established operations on Curacao, Aruba, and St. Maarten. However, local law enforcement agencies lack the manpower, resources and expertise to combat these groups. A more coordinated effort, to include U.S. and Dutch involvement, would help in dealing with this threat. However, the local governments' distrust of outside assistance, especially from the Netherlands, limits meaningful cooperation.

## SURINAME

### I. Summary

Suriname is a transshipment point for South American cocaine shipped to Europe. Government efforts to combat narcotics trafficking are hindered by corruption and the intimidation of law enforcement authorities by traffickers. Antidrug operations also were hampered by the Government of Suriname's (GOS) failure to enact narcotics legislation and its reluctance to sign a judicial exchange agreement with the Netherlands. A major Dutch effort to strengthen the police force and judicial system represent long-term programs which may require several years to show results. Suriname is a party to the 1988 UN Convention, but is far from meeting its goals and objectives.

### II. Status of Country

The government lacks control over Suriname's extensive borders and coastline, which facilitates the transshipment of narcotics. In addition, the lingering effects of a domestic insurgency between 1986 and 1992 have limited the government's control in the interior. Suriname's police and customs forces are small and under-funded. Suriname has limited appeal to money launderers, given the size of its economy, and its relatively tight banking controls.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives and Accomplishments.** Surinamese police and judicial authorities implemented a program to strengthen law enforcement and legal capabilities, with financial assistance from the Government of the Netherlands (GON). The police completed a draft comprehensive narcotics strategy; the Council of State revised draft narcotics legislation prepared in 1993 designed to bring Surinamese law into compliance with the 1988 UN Convention.

**Law Enforcement Efforts.** Law enforcement authorities are hampered by threats from members of the military involved in trafficking, as well as by legislation which grants immunity to military officers from arrest or prosecution by civilian authorities. The police did arrest the son of the former dictator on narcotics charges, along with a powerful army officer who had previously been immune from arrest. Surinamese Customs interdicted a 207-kgs shipment of cocaine concealed in cargo being shipped to Europe. U.S. Customs conducted a training course in June, which helped improve police and customs search capabilities. The Surinamese military participated in joint aerial reconnaissance and interdiction operations with Dutch navy aircraft. The government continues to consider updated narcotics legislation, which includes asset forfeiture and conspiracy provisions.

**Corruption.** Corruption and intimidation are key factors preventing Suriname from conducting effective counternarcotics operations. Law enforcement officers are paid less than \$25 per month, and narcotics organizations actively attempt to undermine antinarcotics efforts. Nor

is the military exempt from corruption; military police have assumed immigration functions at border posts and airports, and have been known to permit the suspected traffickers through airport security unchecked. Several military officers were arrested for narcotics trafficking, but have avoided prosecution because of the legislation limiting their trials to military tribunals.

**Agreements and Treaties.** Suriname is a party to the 1961 Single Convention on Narcotic Drugs, its 1972 Protocol, and the 1988 UN Convention. The GOS signed an amendment to the U.S.-Suriname letter of agreement on antinarcotics cooperation in September. The USG and Suriname have an extradition treaty (an 1887 USG-Dutch treaty that remains in force), but the treaty rarely has been used.

**Cultivation/Production.** Suriname is not an important producer of narcotics. However, it is difficult to assess the exact extent of cannabis cultivation, given the lack of effective government control over Suriname's sparsely inhabited interior.

**Drug Flow/Transit.** Suriname is a transshipment point for drugs originating in South America; drug seizures indicate that the majority of these narcotics are destined for Europe. The police do have indications that a limited quantity of cocaine is being shipped to the U.S. as well.

**Demand Reduction.** The Surinamese do not believe they have a serious domestic drug problem; limited government resources are concentrated on enforcement rather than on demand reduction programs.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG is assisting the GOS in meeting the following goals: implement fully USG/GOS antinarcotics agreements; remove corrupt elements in the military, or those actively engaged in narcotics trafficking; revise existing legislation to eliminate immunity for military personnel from prosecution by civilian authorities; place the Surinamese immigration service under the authority of civilian ministries; encourage Suriname's participation in regional counternarcotics efforts; enhance bilateral law enforcement cooperation; and prosecute actively narcotics trafficking and related cases. Suriname has yet to accomplish these goals, but has taken the first step towards accomplishing them by drafting a national counternarcotics strategy.

**Bilateral Cooperation.** Surinamese police, defense force, and customs personnel attended U.S. Customs training and cooperate actively with USG antinarcotics efforts.

**Road Ahead.** The USG hopes to increase the extent of bilateral cooperation to permit Surinamese law enforcement agencies to conduct antinarcotics activities operations more effectively.

## TRINIDAD AND TOBAGO

### I. Summary

Trinidad and Tobago (T&T) serves as a drug transshipment point, produces some marijuana, and has been used for limited money laundering. In 1994 public reaction to rising crime -- much of it narcotics-related -- led the Government of Trinidad and Tobago (GOTT) to undertake a number of improvements in public security and law enforcement. The GOTT amended the Dangerous Drugs Act to bring the country's laws into conformity with the 1988 UN Convention which it plans to ratify in 1995. Coordination among law enforcement and counternarcotics agencies has improved, but allegations of corruption persist. Lengthy delays and backlogs continue to hamper the judicial system, particularly in narcotics-related cases. This island nation of 1.3 million could be easy prey for sophisticated narcotics cartels wielding vast financial resources.

### II. Status Of Country

Trinidad and Tobago (T&T) is not a major producer, consumer or trafficker of illegal drugs, precursor chemicals, or a significant money laundering center. The government and people of T&T recognize, however, that production, trafficking, and consumption of illegal drugs are disruptive to public health, safety, and the social fabric. Business people contend that money laundering undermines legitimate economic activities. The effects of illegal drug-related activity are likely to increase, particularly if depressed economic conditions continue and drug-related work is seen as one of the few income-producing opportunities.

### III. Country Action Against Drugs In 1994

**Policy Initiatives.** Passage of the Dangerous Drugs Amendment in November brought the laws of T&T into conformity with the requirements of the 1988 UN Convention, ratification of which should occur in 1995. Other actions had only indirect effect on counternarcotics: passage of a bail bill to curb the release of serious and repeat offenders, increased funding for patrol vehicles, and difficult efforts to maintain a viable witness protection program.

**Accomplishments.** The Dangerous Drugs Amendment of 1994 covers precursor chemicals, money laundering, maritime trafficking, extradition of money launderers, forfeiture of assets, and removal of impediments to effective prosecution. The president is expected to sign the bill in 1995, giving the GOTT a significant milestone in developing its counternarcotics master plan.

Since 1992, local banks have voluntarily reported large deposits to the police department's Office of Strategic Services (OSS), a practice that has diminished availability of banking services to traffickers. OSS collects intelligence on financial transactions and in 1994 published a money laundering information pamphlet for local financial institutions. No money launderers have been prosecuted or assets seized, although the 1991 drug law provides for both.

The GOTT manually eradicated 783,024 marijuana plants and destroyed 2.1 mt of cured marijuana in 1994. There have been no asset seizures initiated under the 1991 Dangerous Drugs Act, nor has there been progress on several outstanding extradition requests. Shared drug intelligence resulted in seven significant international drug interdictions. Distribution networks in T&T were somewhat disrupted by the arrests and, in a few instances, the gangland killings of a number of traffickers.

The GOTT has assigned a law enforcement agency to design a monitoring/regulatory system for precursor chemicals which will be regulated when the Dangerous Drug Amendment is put into effect. Reorganization of the T&T Customs Service continued with the assistance of two U.S. Customs officers.

**Law Enforcement Efforts.** A seizure of 226 kgs of cocaine was made by the T&T Coast Guard in June from a pleasure craft. T&T authorities hope this case will be the first in which the law's asset forfeiture clauses are applied. In Florida, 2.4 mt of cocaine were interdicted as a result of intelligence generated in T&T. Another seizure netted 1,066 kg of marijuana. In the first 10 months of 1994, GOTT law enforcement agencies made 539 cocaine-related arrests and 960 arrests related to marijuana. In November, the murder trial of reputed major drug lord Dole Chadee and his associates began. The trial will be closely watched as a test of GOTT resolve to successfully prosecute major narcotics figures.

Responding to public demands that the upsurge in violent crime be checked, the GOTT increased funding to strengthen law enforcement capability. These measures were directed against violent crime, much of which related to the drug trade. Several improvements, such as provision of safe police stations and operational patrol cars, were intended to meet minimal standards.

**Corruption.** Unsubstantiated rumors regarding corruption have mentioned ministers, politicians, judicial and law enforcement personnel at every level; however, no investigations have been initiated. Structures to deal with corruption issues are either not in place or non-functional. News reports uncover questionable occurrences but rarely extend to in-depth follow-up. Alleged police drug pay-offs identified by a 1993 Scotland Yard team have not been pursued by police management because of jurisdictional questions. Scotland Yard's report did not include fully developed cases because of non-cooperation from police management. Lower-level law enforcement personnel have been convicted of stealing weapons and ammunition. One soldier was arrested for his participation in an attempt to poison a key trial witness.

**Agreements and Treaties.** Extradition is covered by a 1931 U.S./UK agreement, the validity of which has been challenged in a current extradition case involving an accused drug trafficker. This case has been pending for years and until it is resolved, T&T appears unwilling to move forward on any other extradition matters, some of which have been pending for several years. T&T has no agreements on mutual legal assistance,

precursor chemicals, or money laundering. T&T signed the 1988 UN Convention but is not expected to ratify it until early 1995. The GOTT has received funding for counternarcotics programs from the UK, Canada, France, and the UN in addition to its INM-funded programs.

**Cultivation and Production.** Rocks of crack cocaine are produced in T&T for domestic consumption using imported cocaine. No coca or opium is cultivated. Marijuana is grown in the rural areas of Tobago and in north, east and south Trinidad.

**Drug Flow and Transit.** There was an increase in the amount of drugs seized in 1994, which, along with seizures in other countries resulting from information originating in T&T, indicates a parallel increase in drug transshipments. Although law enforcement efforts were not concentrated on interdiction of drugs entering the country by sea and air, airport inspections of departing passengers and baggage resulted in routine arrests and drug confiscations. In 1995, T&T Customs Service will begin to operate a container stripping station.

**Demand Reduction.** With limited funding, the National Alcohol and Drug Abuse Prevention Program (NADAPP) operates a national resource and information center, conducts training, and provides matching funds to community-based demand reduction programs. NADAPP has been working with UNDCP on a three-year demand reduction program to begin in 1995. USG funds support a prevention program for selected schools and communities.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG objectives are to encourage ratification of the 1988 UN Convention, provide counternarcotics training for T&T police and coast guard, provide computer upgrades for the Joint Intelligence Coordinating Center (JICC), promote demand reduction/prevention program for school children, and to make the extradition process more effective. INM programs include procurement of equipment and training for counternarcotics units.

**The Road Ahead.** T&T is not equipped to control or contain its potential infiltration by high-tech, sophisticated international drug cartels. If drug activity increases in Venezuela, T&T is likely to experience a corresponding increase because of its geographic proximity. Demand reduction, coupled with aggressive prosecution, punishment and in appropriate cases extradition of local drug traffickers, remain major objectives to prevent these small islands from being overwhelmed by massive escalation of drug activity. The USG will continue to assist the GOTT's interdiction and eradication efforts and will assist GOTT efforts to build strong law enforcement and judicial systems.

## EASTERN CARIBBEAN

### I. Regional Summary

In 1994, the Eastern Caribbean region experienced increased use as a transit corridor for marijuana and cocaine into the U.S., and drug trafficking emerged as a threat to the political stability of this region. Trafficker organizations' increasing influence was exposed in a burst of violence on the island of St. Kitts. In St. Kitts and elsewhere, the increased pursuit of political power by drug traffickers threatens the stability of the Eastern Caribbean democracies.

The most significant developments were in St. Kitts, where a deputy prime minister resigned after one son was killed and two other sons were arrested for involvement in drug trafficking. The principal police investigator of the case was assassinated. In Barbados, a first-ever interception of an airdrop yielded a major cocaine haul. There is increasing concern that marijuana exports may supplant declining banana exports as the leading hard-currency earner, especially for St. Vincent, and, to a lesser extent, for Dominica, Grenada and St. Lucia.

In 1994, law enforcement officials throughout the islands reported an escalation in airdrops and other trafficker activities, principally involving cocaine. Cocaine and crack cocaine use continues to increase, resulting in a rise in the overall crime rate. The incidence of violent crimes has also increased, linked to the drug trade. Marijuana continues to be widely used and cultivated on most of the islands. There were indications that the region is being used increasingly as a transit point for small amounts of heroin and morphine.

The success of U.S. interdiction efforts in The Bahamas and Turks and Caicos Islands and U.S. military activity around Hispaniola contributed to increased drug trafficker use of the Eastern Caribbean, which is a gateway region for drugs entering Puerto Rico and the U.S. Virgin Islands. In 1994, 26 percent of documented cocaine smuggling attempts into the U.S. came through these Caribbean portals. The Eastern Caribbean, which includes territories still linked to the United Kingdom, the Netherlands, and France, is also increasingly a transit route to western Europe.

Traffickers exploit the Eastern Caribbean's traditional advantages as a transit route: geographic location, easy navigation, inadequately patrolled coastlines and waters, many tourists, ample airline and cruise ship connections, local drug subcultures, and governments and political parties vulnerable to corruption. Local governments are not able to finance their law enforcement operations at a level commensurate with the trafficker threat.

South American trafficker rings appear to control most of the volume of drugs passing through the region, often working in alliance with local traffickers. Another affiliation combines trafficker organizations from Trinidad, St. Lucia, and Dominica which traffic hundred-kilogram lots of cocaine to the northern Caribbean U.S. gateways.

The security forces of seven independent Eastern Caribbean countries--Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines--are grouped in the Regional Security System (RSS). The RSS is beginning to grapple with the narcotics issue, but has not yet defined its role in the counternarcotics effort. Regional governments, working with the U.S. and other donors, have undertaken several initiatives to improve collection and exchange of drug-related intelligence, including establishment of the Regional Maritime Movement Information System (RMMIS) and a Joint Information Coordination Center (JICC) in Barbados. Interdiction and enforcement capabilities, however, are likely to decrease in coming years as a result of significant cuts in U.S., UK and Canadian funding.

The region's governments generally recognize the seriousness of their drug problems and the threat posed by traffickers. Most countries seized more drugs in 1994. The prime ministers frequently express their frustration at legal and other limitations which impede a strong approach to the drug problem and effective prosecution of drug criminals. Problems persist in the collection and presentation of evidence, the prosecution of cases, effective use of conspiracy laws against drug ring leaders, and in uniform sentencing guidelines.

These governments generally welcome outside assistance, and cooperation with U.S. authorities and agencies is generally excellent. In April, a U.S. Coast Guard cutter equipped with a helicopter conducted a training exercise with several Eastern Caribbean nations, which provided hands-on law enforcement experience. The U.S. is an active participant in the Bridgetown Group of international donors, a mini-Dublin group, which coordinates regional assistance.

Antigua and Barbuda, Barbados, Dominica, Grenada and St. Vincent and the Grenadines (the latter in 1994) have acceded to the 1988 UN Convention, while St. Kitts and Nevis and St. Lucia, parties to the 1961 Convention and the 1972 Protocol, have received USG and UN assistance to prepare for their accession. Implementation of the Convention generally remains hampered in the Eastern Caribbean by limited understanding of the required legislation.

The U.S. has bilateral extradition treaties with each of these nations, dating from the period of British dependency. All the Commonwealth Caribbean jurisdictions make some provision for the forfeiture/confiscation of property or proceeds obtained from drug trafficking, either under a proceeds of crime act (Antigua, Barbados, Dominica, Grenada, St. Kitts, St. Lucia--which also can act on orders made by courts in other countries) or under the drug laws. In 1994, St. Vincent accomplished its first major asset seizure. Antigua, Barbados, Grenada, and St. Vincent have on their books mutual legal assistance acts, which could provide a statutory precedent for mutual legal assistance treaties.

In the Eastern Caribbean, corruption among public officials is rarely met with strong counter-measures. There are continuing allegations (which have not been substantiated) that senior officials in Antigua, St. Kitts and St. Vincent participate in, are knowledgeable of, or allow drug activities to continue, regardless of official policy. No government publicly condones corruption.

(See separate INCSR sections on the Caribbean Dependent Territories of the UK for reports on Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands; on the French Caribbean Departments for reports on Guadeloupe and Martinique; and on the Netherlands Antilles and Aruba for discussion of the Dutch islands in the Eastern Caribbean.)

## II. Country Reports

(Note: U.S. counternarcotics activities in the Eastern Caribbean region have intensified in recent years, achieving some important gains. This focus has also improved reporting which would produce higher, but more accurate, statistics on trafficking and production compared to previous years.)

**ANTIGUA AND BARBUDA.** This two-island nation has long been a drug transit country. The Antigua airport is one of the busiest in the region and continues to be used for smuggling to the U.S. and Europe. Major Colombia-based trafficking organizations, including the Cali cartel, use both islands as a staging area and cache site. Significant amounts of narcotics are airdropped off the islands, then picked up by fast boat for onward delivery to Puerto Rico and both the U.S. and British Virgin Islands. There is evidence of heroin shipments originating in Europe and transiting Antigua en route to the U.S. There is no significant cultivation of cannabis, but some local use. A change in leadership in 1994 raised as yet unfulfilled hopes for a stronger government antidrug policy. Individuals with close ties to the current regime are believed to be engaged in narcotics trafficking. In 1994, authorities reported processing 148 cases involving 152 defendants. They seized about 130 kgs cocaine, 3,380 kgs marijuana, 169 pieces of crack, and eradicated 92 marijuana plants.

The Government of Antigua and Barbuda (GOAB) has acceded to the 1988 UN Convention. Its enforcement efforts, cooperation with U.S. agencies and drug-control legislation are all consistent with the goals and objectives of the Convention. Of increasing concern is growth in domestic use of crack cocaine. The GOAB continued drug interdiction, demand reduction and awareness efforts, and has sought to establish a drug rehabilitation center. Local non-government organizations have also tried independently to found a treatment facility. Demand reduction programs are administered by the National Drug Council.

**BARBADOS.** The drug issue had a significantly higher profile in Barbados in 1994. In the face of intensified enforcement, tougher court action, and strong public apprehension about damage to the vital tourist industry, crime in general dropped. In September, the new government declared it would undertake major efforts to address the drug problem. There is

virtually no cannabis grown on the island, but it is imported from neighboring islands for the domestic and tourist markets. Cocaine for the local market principally arrives via courier. An independent survey done in late 1992 indicated that drug use among youth was more widespread than previously believed.

There are indications of increased efforts by traffickers to use Barbados as a transit point to both North America and Europe. Police, in cooperation with DEA, foiled an attempted airdrop of 172 kgs of cocaine, a record seizure. (Subsequently, in January 1995, the two Colombians arrested in connection with this case were convicted and sentenced, one to life, and the other to 30 years.) Authorities report that in 1994 Barbados seized about 240 kgs of cocaine and 464 kgs of marijuana, eradicated 490 marijuana plants, and 180 persons were arrested for drug offenses.

Officials expressed considerable concern about the growing number of firearms on the island, which they directly traced to the drug trade. Barbados hosted the first Caribbean conference of drug squad commanders. The Barbados-based RSS established a drug intelligence center.

There were important developments on the judicial front, as well, during the latter part of 1994, as the courts conveyed the national consensus to "get tough" on drugs. As part of the infamous "Eddie's Snackette" case, a convicted trafficker with ties to Colombian organizations received an unprecedented life sentence. In a separate case, a trafficker received a 25-year sentence. Both of these cases benefited from cooperation with U.S. authorities. A major U.S.-funded effort to improve court reporting and management is in process. The National Drug Council was reorganized following the elections, which set back some demand reduction efforts.

As the offshore financial services industry continues to develop in Barbados, with accompanying liberalizing of regulation, the potential for money laundering activities is likely to increase.

**DOMINICA.** This large but underpopulated island is a minor cannabis producer, but it is an increasingly exploited transit route for both marijuana and cocaine. Some Dominicans engage in regional trafficking, including to Antigua, Guadeloupe, Martinique and St. Martin. Due to comparatively limited air connections, transit via Dominica for drugs traveling from South America and to the U.S. is mostly via small boats. Cannabis is cultivated on the island, and there is concern that economic difficulties affecting the banana industry could prompt an increase in production. Police expend significant resources, sometimes in cooperation with U.S. agencies, to locate and destroy marijuana plots. Much of the cannabis is consumed locally, and the use of crack cocaine is growing. Dominican authorities report 1994 seizures of 3.34 kgs of cocaine, 741 kgs of marijuana, eradication of 48,855 marijuana plants, and the arrest of 384 persons on drug charges.

Dominica has acceded to the UN Convention. Implementation remains limited, in part due to limitations in judicial capacity to handle the burgeoning number of cases. The Government of Dominica (GOD) cooperates fully with U.S. law enforcement agencies and under the terms of our

bilateral counternarcotics agreement. U.S. Customs conducted a counternarcotics training program in Dominica in 1994. Dominica has requested further U.S. assistance in establishing a drug squad and coast guard presence in one of the main drug trafficking areas. Two Dominican customs officials were arrested in 1994 in connection with drug trafficking. Dominica strongly supports demand-reduction projects, and materials produced in cooperation with the U.S. are displayed throughout the country. In 1994, demand-reduction projects were assisted by the USG and UNDCP.

**GRENADA.** Both cocaine and marijuana remained readily available in Grenada. Domestic consumption (including crack cocaine) continued to grow despite tough penalties for users and active demand reduction programs. Cannabis is cultivated locally in significant quantities and is also imported by small boats from South America and Trinidad, both for domestic use and transshipment, generally by air cargo. Trinidad-based cocaine trafficking networks have used Grenada as a transshipment point. Official sources reported that about 10 kgs of cocaine and 250 kgs of marijuana were seized in 1994 and about 20,000 marijuana plants were eradicated.

Grenada has acceded to the UN Convention and strives to carry out its goals and objectives. Grenada generally fulfills the terms of its bilateral counternarcotics agreement with the U.S. Government of Grenada (GOG) officials cooperate openly with U.S. agencies. Grenadan officials have effectively used the country's drug laws to prosecute cases. It has a strong asset seizure law, but adjudicated no cases in 1994. Grenada police apprehended traffickers with about 175,000 U.S. dollar equivalent in proceeds of a drug transaction. Forfeiture proceedings were underway at the end of 1994.

**ST. KITTS AND NEVIS.** This two-island nation in the northeast corner of the Caribbean is a jumping off point for the transit of drugs into the U.S. Virgin Islands and Puerto Rico, a smuggling route of increasing importance into the U.S. Seizures and other information indicate that trafficking through and around St. Kitts continued to expand in 1994. Much of the considerable transit of narcotics through the area is by airdrop off the coasts of St. Kitts and Nevis. The beaches on St. Kitts continue to be used as overnight cache sites by international cocaine trafficking organizations. Local Kittitian trafficking organizations have well-established ties to Colombian trafficking organizations. There is some cultivation of cannabis for local consumption. St. Kitts authorities report that in 1994 they seized 58 kgs of cocaine, 15 pieces of crack, and 5.7 kgs of marijuana. About 25,000 marijuana plants were eradicated.

Violence involving politics and drugs plagued St. Kitts in 1994, severely threatening the stability of its minority coalition government. Both Colombian and local traffickers have attempted to exploit a tense domestic political environment. In 1994, a private pleasure craft disappeared with the former St. Kitts ambassador to the UN and family abroad; there were strong suspicions of foul play involving drug traffickers. In September, a son of the deputy prime minister and a companion disappeared and were later found murdered. A senior police superintendent, an important contact for U.S. and foreign law enforcement officials, was assassinated while leading the

investigation of the case. When two other of his sons were arrested on drug related charges, the deputy prime minister was forced to resign. The sons were released from prison shortly thereafter, sparking a protest riot and fire that left the prison gutted. St. Kitts had to call for military assistance from neighboring governments to stabilize the situation. The U.S. provided emergency supplies and assistance to the St. Kitts police. U.S. cooperation with St. Kitts authorities is excellent.

The UN Convention is not in force in St. Kitts. Legislation to allow for accession has been passed by Parliament but not yet signed into law.

**ST. LUCIA.** St. Lucia remains a transshipment point for cocaine to other Eastern Caribbean countries, the U.S. and Europe. Marijuana is cultivated for local use, with small amounts exported to the U.S. or Europe. Cocaine traffickers still principally utilize small fishing boats to transport their shipments; but smugglers use airplanes and cruise ships as well as private pleasure craft. Officials are concerned about the high rate of drug-related crime and have requested U.S. assistance in strengthening counternarcotics laws. In 1994, authorities reported the seizure of about 17 kgs cocaine and 182 kgs of marijuana. A major effort at the close of the year led to the eradication of over 81,923 marijuana plants. A total of 374 people were arrested on drug charges.

St. Lucia has not yet acceded to the UN Convention, but generally is able to carry out its goals and objectives. Although asset seizure legislation is in place, no asset seizures have been carried out. Cooperation between St. Lucia authorities and U.S. agencies is good; similarly, there is good cooperation with British and French agencies. A U.S. Customs enforcement training program was presented to St. Lucian Customs and Excise officers in 1994.

**ST. VINCENT AND THE GRENADINES.** This multi-island country remains plagued by problems of production, consumption, and transshipment of drugs. There is widespread use of its relatively high-grade domestically grown marijuana, and cultivation and export to neighboring islands increased in 1994. Among the Caribbean islands, St. Vincent is second only to Jamaica in marijuana production; marijuana is probably St. Vincent's largest export earner. The use of both cocaine and crack continues to increase. Official sources report only about 2.5 kgs of cocaine and 881 kgs of marijuana seized in 1994. A total of 433 people were arrested on drug charges. Eradication was virtually negligible. The government agreed, however, to proposed U.S. helicopter support for eradication in 1995.

The inaccessible terrain of St. Vincent and the more than 20 islands of the Grenadines offer ideal conditions for drug smugglers and severely complicate police efforts. The Grenadines have long been a pipeline for drugs transiting to the U.S. and French Islands. Substantial local trafficking organizations engaged in large scale acquisition, storage, and transshipment of cocaine, often in ton lots. St. Vincent has become a commonly used flag

of convenience, as regulations permit vessels to be registered without positive identification of owners. Demand reduction programs, including those supported by UNDCP and the U.S., have had little success.

Allegations persist that narcotics traffickers provide funds for political campaigns for both opposition and government candidates. Unsubstantiated reports persist of narcotics-related corruption in senior levels of government.

In 1994, St. Vincent acceded to the 1988 UN Convention. Laws are in place to satisfy many of its provisions including asset forfeiture procedures for drug trafficking-related offenses, including both conspiracy and money laundering. In late 1994, a court in St. Vincent seized a large sum of cash (\$347,000) associated with a 1993 drug case, in the first such major asset seizure in the Eastern Caribbean. Security forces and police continue to make numerous arrests and some significant seizures, but there are few convictions for large-scale trafficking. Convicted major traffickers have been able to avoid long incarceration by paying substantial fines, a practice not unknown elsewhere in the region. Implementation of the government's stated commitment to eradicate cannabis and control corruption are necessary if St. Vincent is fully to meet the goals and objectives of the Convention.

## FRENCH CARIBBEAN

Martinique, Guadeloupe, and French Guiana are departements (states) of France, and are subject, therefore, to French laws and to the 1988 UN Convention, to which France is a party.

The governments of these territories are able to apply the resources of France to meet the goals and objectives of the Convention. Nevertheless, drug traffickers and money launderers are active, especially on the French half of St. Martin (part of the departement of Guadeloupe). St. Martin's free port status, heavy flow of tourists, offshore banking facilities, and easy access to the relatively less-controlled Dutch half of the island make it the most vulnerable to the traffickers. A small amount of marijuana is grown in French Guiana for local consumption, but most marijuana available there comes from Suriname and Guyana.

Cocaine seizures in 1990 totaled 1.2 mt, 990 kgs of which were seized on St. Martin. As a result, the French Judicial Police opened an office on the island. By 1994, seizures had risen to at least two mt, most of which was discovered on or near St. Martin. This increase in the trafficking of cocaine -- most of which is destined for the United States -- is illustrative of the overall increase in drug shipments through the eastern Caribbean, by traffickers who use its easy access to send drugs to U.S. and European destinations. Increased counternarcotics actions against other Caribbean trafficking routes have also contributed to the increase in the eastern Caribbean. Traffickers also have begun using French Guiana to smuggle cocaine directly to Europe.

The multilateral Caribbean Zone Customs Mutual Assistance Agreement provides for information sharing concerning enforcement of customs laws, including those related to the suppression of trafficking in narcotics and psychotropic substances. The French Customs Service and Gendarmerie actively cooperate with the U.S. to deter drug smuggling via container shipments to Europe and pleasure craft visiting the islands. The USG is in the process of negotiating an agreement with the French government to formalize our ongoing maritime cooperation in the Caribbean.

To date, we have no evidence of French seizures of containerized cocaine having originated in the French Caribbean. French authorities are handicapped by a shortage of marine assets, but they share information with their neighboring English-speaking counterparts. In 1994, French Caribbean law enforcement personnel received some USG-funded training in regional seminars. Civil servants, drawn from the French civil service, have not been accused of any narcotics-related corruption. U.S. Customs officers have provided training at Martinique's regional training center.

## CARIBBEAN

### DEPENDENT TERRITORIES OF THE UNITED KINGDOM

**ANGUILLA, THE BRITISH VIRGIN ISLANDS (BVI), CAYMAN ISLANDS, MONTSERRAT, and TURKS AND CAICOS ISLANDS (TCI)** comprise the UK's Caribbean Dependent Territories. These Territories are not significant drug producing countries, but are drug transshipment points. As home to offshore financial institutions, the Territories have become enticing locales for drug traffickers to launder money. With strict secrecy laws and a large offshore banking sector, the Cayman Islands is especially vulnerable to money launderers.

In 1994, legislation enabling the Dependent Territories to comply with the requirements of the 1988 UN Convention, including asset seizure and forfeiture and control of precursor and essential chemicals, was completed, and the UK plans to extend the Convention to the Territories in 1995. (In fact, the UK extended the Convention to the Caribbean Dependent Territories and Bermuda on February 8, 1995.) The Territories' counternarcotics efforts are consistent with the goals and objectives of the 1988 UN Convention in most areas, with the notable exception of money laundering in the Cayman Islands, and to a lesser extent, Anguilla. The Territories are subject to the U.S.-UK mutual legal assistance treaty concerning the Cayman Islands (which has been extended to the other jurisdictions). The 1972 U.S.-UK extradition treaty has been extended to include the Dependent Territories. Cooperation with the U.S. under these various bilateral agreements is excellent.

The U.S. Coast Guard signed a reciprocal shiprider agreement with BVI in 1990, which was extended in 1992 to include the U.S. Customs Service. The U.S. and UK have initiated discussions on extending the BVI reciprocal shiprider agreement to the Cayman Islands. U.S. Coast Guard aircraft involved in air interception operations in the western Caribbean use facilities in the Cayman Islands, with the cooperation of Cayman officials. Operational contact between the USG and the governments of the Territories is close and effective. We are aware of no evidence of official corruption among senior police and customs officials.

TCI, located in the southeast end of The Bahamas archipelago, is a participant in Operation Bahamas and Turks and Caicos (OPBAT), a trilateral cooperative effort of the U.S., The Bahamas, and TCI (UK), for air and maritime narcotics control. The OPBAT tripartite Memorandum of Understanding provides for aircraft riders. USG assistance to TCI mainly covers fuel and per diem costs in support of their participation in OPBAT. Communications equipment, a boat and motor, and limited drug enforcement training also have been provided. In 1994, the USG supplied handler training and a narcotics detector dog to TCI, resulting almost immediately in a seizure of 5.4 kgs of cannabis on a Haitian sloop.

Joint Information Coordination Centers (JICCs), located in Anguilla, Bermuda, the Cayman Islands, Montserrat, and TCI, gather drug-trafficking information and feed it into the Tortola, BVI JICC, which in turn feeds the data to the El Paso Intelligence Center (EPIC). The centralized data base in Tortola thus provides a mechanism for analysis of information coming from all the Dependent Territories, although the islands continue to cite a lack of feedback from EPIC as a problem. The UK carried out a review of the regional Drugs Intelligence Unit based in BVI in order to enhance its ability to contribute to the anti-narcotics effort in the region.

A Caribbean Basin Radar Network (CBRN) site in the Cayman Islands, which became operational in late 1992 to monitor narcotics air traffic transiting the central Caribbean, will cease operations in 1995 due to USG budget limitations.

In 1994, Anguilla seized 28 kgs of marijuana, 832 kgs of cocaine, and 75 rocks of crack. BVI seized one mt of marijuana and 450 kgs of cocaine. The Cayman Islands seized 1.8 mt of marijuana, 5 kgs of cocaine, and 25 kgs of hashish oil. Montserrat seized 3 kgs of marijuana, 38 rocks of crack, and destroyed 240,600 cannabis plants. TCI seized 15 kgs of marijuana, 45 kgs of cocaine, and 160 rocks of crack. British officials have noted an increase in airdropped shipments in the waters around Montserrat, Anguilla and the BVI.

The Cayman Islands, one of the largest offshore financial services centers in the world, is the only British Caribbean Dependent Territory in which money laundering is a significant threat. Legislation has recently been amended to better enable bank regulators to exchange information with their counterparts in other countries. Efforts continue to enhance the capability of the police to investigate cases of money laundering and commercial crime. Increased regulation in the insurance sector and of mutual funds has recently been put into effect, but confidentiality legislation, the immense size of the offshore financial community and easy formation of shell companies continue to make the Cayman Islands attractive to money launderers.

Under the code name "Dinero," U.S. and UK authorities mounted an operation against the Colombian Cali cartel designed to penetrate their cocaine trafficking and money laundering procedures. The operation used a bank established solely for this purpose in the British Dependent Territory of Anguilla. This was the first occasion in which a such a sophisticated investigative probe had been used. The operation revealed links to Italy and Spain as well as Canada. More than \$90 million in currency and property were seized together with more than 8,000 kgs of cocaine, and 116 individuals were arrested. The techniques used by the Cali cartel to launder their proceeds were clearly exposed, and considerable intelligence on their operations was obtained.





# **SOUTHWEST ASIA**



## AFGHANISTAN

### I. Summary

USG estimates indicate that opium poppy cultivation increased in Afghanistan for the fifth consecutive year to an estimated 29,180 ha, second to Burma in poppy cultivation. USG analysts attribute the increase to expanded cultivation in the southern growing areas. Production levels showed a 39-percent increase from 685 mt of opium in 1993 to an estimated 950 mt in 1994; if refined, this would yield approximately 95 mt of heroin. DEA's signature program for 1993 indicated that approximately nine percent of the heroin found in U.S. originated in Southwest Asia.

Afghanistan is a party to the 1988 UN Convention, but its lack of an effective central government hindered both domestic and international efforts to curb poppy cultivation, opium production, and drug trafficking. There is no clear evidence of high-level political support for drug production in Afghanistan; however, it is essentially a lawless country with a well-armed civilian population. Autonomous local commanders and warlords have permitted poppy cultivation and trafficking to expand unchecked. The poorly controlled borders of Afghanistan, Pakistan, the states of the former Soviet Union, and Iran offer practically unlimited opportunities for undetected trafficking. The Government of Afghanistan (GOA) recently inquired about possible counternarcotics training opportunities in the U.S. for law enforcement officers.

The USG seeks to develop an antinarcotics alternative for Afghanistan. DEA is preparing to conduct basic narcotics training of Jalalabad's police force in Nangarhar province. U.S. initiatives have been modest because of the lack of central authority and the inability to monitor implementation. The USG funded a modest (\$100,000) crop alternatives project run by an American voluntary agency in the Helmand Valley; it also contributed to UNDCP projects in Afghanistan. Work was completed on a 1992 project in Kandahar, which provided agricultural and infrastructure assistance.

### II. Status of Country

The Iran/Pakistan/Afghanistan border regions comprise one of the main narcotics trafficking areas in the world.

With 10 of its 30 provinces under opium poppy cultivation, Afghanistan is second only to Burma in poppy production, according to USG survey data. The UNDCP believes Afghanistan may have actually surpassed Burma as the leading producer, but the USG does not agree with this conclusion. In 1994, Helmand province overtook Nangarhar in opium poppy hectareage under cultivation. The combination of returning refugees, displaced persons, continued poor economic conditions, and increasing market demand for narcotics, contributed to the sharp rise in poppy cultivation. Refugee relief organizations estimate there are 750,000 displaced persons throughout the country.

A UNDCP report suggests that, following several Pakistani law enforcement successes, some laboratories moved to Afghanistan from Baluchistan (Pakistan) in 1993. There have been no subsequent reports to confirm the return of the labs to Pakistan. Raw opium is still transported to Khyber Agency (Pakistan), primarily for crude processing to brown heroin (heroin base) and distribution to regional addict markets from India to Iran, and for onward transport abroad.

Drug traffickers employ highly organized networks which extend from laboratories in Nimroz and Helmand to laboratories and markets in Europe. Seizures in Baluchistan and in Iran confirm that narcotics, primarily morphine base and opium, are trafficked from Afghanistan through Iran and Pakistan to illicit laboratories in Turkey for refining and export. There is no indication that laboratories in Afghanistan have as yet enhanced their ability to produce substantial quantities of white heroin, but they do produce brown heroin and morphine base. There is increasing international concern about Afghan trafficking of opiates into and through the states of the former Soviet union.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** It has been difficult to undertake initiatives in the absence of an effective national government in Afghanistan. Continued instability and factional fighting precluded effective application of the National Drug Strategy document created in 1993 by an interagency High Commission. While some local authorities publicly denounce opium cultivation, they have undertaken few concrete counternarcotics measures. The 1993-94 anti-opium campaign by Haji Qadir, governor of Nangarhar province, bore little fruit since it was limited to areas close to main roads. According to USG statistics, poppy cultivation in the province showed only an eight-percent reduction from 1993.

**Accomplishments.** The expansion of opium poppy areas under cultivation suggest that crop eradication and crop substitution projects did not have a major impact in 1994. Haji Qadir began in December a new eradication campaign against the 1994-95 Nangarhar poppy crop. Results will not be confirmed for months, but UNDP, UNDCP and other observers believe he is making a serious effort. Voluntary agencies operating in parts of Afghanistan report limited success in small, ongoing crop substitution and development projects.

**Law Enforcement Efforts.** The rule of law does not prevail in Afghanistan. In the absence of a viable central government, there is no national police force and no national drug control body. Most regional commanders do not appear to be very interested in enforcing national narcotics laws. Consequently, there are no discernible efforts to identify, prosecute, or punish narcotics traffickers. Some smugglers reportedly were arrested in Herat. The governor of Nangarhar did request narcotics training for the Jalalabad police.

**Corruption.** Most Afghan factions publicly condemn the illicit cultivation of narcotic substances. However, there are continuing reports alleging the direct involvement of some leaders, particularly smaller independent "commanders," in narcotics production and trafficking, as well as the indirect involvement of others who are paid to provide security to the narcotics trade.

**Cultivation and Production.** According to USG satellite imagery, opium poppy cultivation increased by 38 percent over 1993 levels to 29,180 ha. The provinces of Helmand, Nangarhar, Oruzgan, and Kandahar account for approximately 98 percent of total opium poppy production in Afghanistan. Opium poppy cultivation in Nangarhar fell by 8 percent, continuing a decline that began in 1990. This was offset by a 308-percent increase in Helmand from 4,070 ha in 1993, to 12,529 ha in 1994.

Despite the decreases, Nangarhar and Helmand produced the largest share of poppy cultivated in Afghanistan (77 percent). Kandahar's cultivation increased 283 percent to 2,666 ha, and Oruzgan increased cultivation 238 percent to 3,293 ha. Three provinces -- Jowzjan, Lowgar, and Parvan -- cultivated an estimated 615 ha in 1993, which suggesting some poppy eradication in 1994.

Much Afghan opium poppy is processed in labs located in the Khyber Agency of Pakistan and in Helmand. Little information is available regarding internal Afghan drug demand. However, neighboring Pakistan's internal drug abuse problem has made it a net importer of opium, and a major market for Afghan heroin.

**Agreements and Treaties.** Afghanistan is a party to the 1961 UN Single Convention on Narcotic Drugs, but not its 1972 Protocol. It is also a party to the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** Bilateral cooperation in narcotics control is difficult because of the continued fragmentation of power in Afghanistan. USG development assistance to Afghanistan through the USAID Mission for Pakistan and Afghanistan terminated in June. Sharp limits to the GOA's ability to exercise authority anywhere outside Kabul prevent any significant initiatives at the national level.

Basic USG counternarcotics goals and objectives for Afghanistan remain to:

- Encourage the eradication of opium cultivation throughout the country;
- Encourage law enforcement actions against major producers and traffickers; seek opportunities for narcotics control cooperation with regional and local leaders;
- Promote closer cooperation between Afghanistan and Pakistan on border interdiction;
- Encourage donor nations, particularly European, to enter into cooperative narcotics agreements with Afghanistan, or its regional leaders;

- Help Afghan authorities evaluate the extent of the narcotics problem, develop counternarcotics programs, and begin compliance with the 1988 UN Convention;
- Encourage voluntary agencies to expand alternative development projects in Helmand, Nangarhar, and Kandahar provinces;
- Encourage UNDCP to increase its activities in Afghanistan;
- Support DEA efforts to provide basic law enforcement training to Afghan police;
- Impress upon Dublin group states the importance of opium poppy conditions in Afghan assistance programs.

USG-sponsored agriculture and infrastructure projects in Kandahar province were completed. Work has not been inspected because security considerations preclude road travel to project sites.

During 1994, the USG made a \$100,000 grant to the Mercy Corps voluntary agency for a small agricultural development project in the Helmand region where Mercy Corps manages crop substitution and development projects. The USG did not earmark any of its UNDCP contributions for 1994 for Afghanistan, but UNDCP has funds remaining from the \$450,000 contributed in 1993 for alternative development/opium reduction programs in Helmand.

**The Road Ahead.** Despite the continuing instability in Afghanistan, the scale of opium poppy cultivation requires attention. The Nangarhar Shura (governing council) recently announced crop eradication measures that it claims could eliminate 70-80 percent of this year's crop in selected districts. This initiative is new; the progress of the campaign and the results can not yet be fully evaluated. Longer term projects include consideration of bilateral funding to assist Afghanistan to build effective institutions. Possible programs include training, equipment procurement and technical assistance, such as DEA training for the Jalalabad police. The USG will encourage donor nations, as well as international organizations, to help Afghanistan combat its illicit opium problem.

**Statistical Tables**

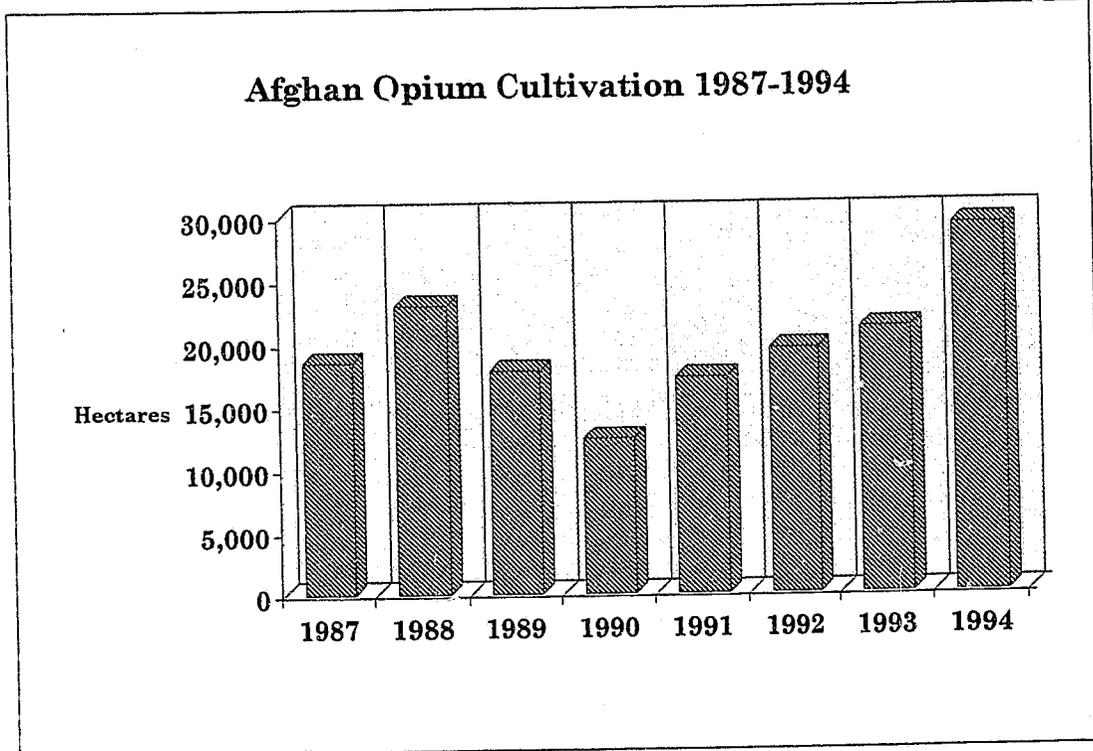
TABLES for CY		1994	1993	1992	1991	1990
<b>OPIUM</b>						
Potentially Harvestable	[ha]	29,180	21,080	19,470	17,190	12,370
Eradication	[ha]	-	-	-	-	-
Cultivation	[ha]	29,180	21,080	19,470	17,190	12,370
Potential Yield*	[mt]	950	685	640	570	415

**Refining, Seizures and Arrests /a**

(a No information concerning heroin or hashish refining, or drug seizures and arrests, is available

\* DEA believes, based upon foreign reporting and human sources, that opium production in Afghanistan may have exceeded 900 mt in 1992 and 1993.

2/22/95



## BANGLADESH

### I. Summary

Bangladesh is not a major producer or consumer of narcotics, but is used increasingly as a narcotics transshipment point. The Government of Bangladesh (BDG) apparently is willing to stem the flow of narcotics across its borders, but it is hampered by poor intra-governmental coordination and a lack of resources. The UNDCP launched a \$1.9 million, five-year project in 1994 to enhance the BDG's narcotics control efforts. Bangladesh is a party to the 1988 UN Convention and the South Asia Association for Regional Cooperation (SAARC) Convention on Narcotics. It has no bilateral narcotics agreement with the U.S.

### II. Status of Country

Bangladesh has no measurable cultivation of poppy. There is some cannabis cultivation, primarily for local consumption. Geographic realities and limited detection and interdiction capabilities make Bangladesh vulnerable to trafficking. Authorities fear an increase in the transshipment of narcotics from Burma and India, and the beginning of shipments from Pakistan and Afghanistan. The USG has no evidence of high-level corruption. Possible official corruption appears to be limited to border area smuggling of brown heroin.

The extent of Bangladesh's internal drug problem is largely unknown. The BDG estimates that there are approximately 100,000 heroin addicts, but concedes that the actual number could be much higher.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** Bangladesh has signed protocols calling for increased bilateral narcotics cooperation and has worked toward better coordination and enhancement of counternarcotics capabilities within SAARC. The BDG signed in 1994 an agreement with Burma on bilateral cooperation to prevent trafficking of narcotic drugs and psychotropic substances and chemicals. It also passed legislation to establish a Coast Guard, which will be charged with narcotics interdiction.

**Law Enforcement Efforts.** The BDG's principle narcotics agency is the Department of Narcotics Control (DNC). The lack of coordination between the DNC and other relevant BDG agencies, particularly in information sharing, seriously hampers the BDG's efforts to develop an effective law enforcement capability. Another problem is the overloaded court system with its heavy backlog of criminal cases.

**Money Laundering.** The BDG has uncovered no evidence of money laundering. However, its mechanisms to detect and/or control this kind of activity are largely ineffective. The BDG recognizes this problem; it has drafted appropriate amendments to the 1990 Narcotics Control Act, but the legislature has taken no action.

**Demand Reduction.** The BDG has taken initial steps to promote drug awareness, and it places a high priority on demand reduction. The National Narcotics Board (NNB) met in July to address such issues as the need for a national survey, developing antinarcotics mass media campaigns, increasing the number and effectiveness of treatment facilities, and the need for a forensic laboratory for drug testing. The UNDCP's five-year project for Bangladesh focuses heavily on demand reduction and treatment.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG's seeks to prevent Bangladesh from developing into a major transshipment point for heroin, and provides training and equipment support to the DNC for that purpose. The USG underwrote the costs of sending DNC officials to three seminars -- to New Delhi for the Southwest Asia Regional Drug Enforcement Seminar; to Washington, for the International Narcotics Enforcement Management Seminar sponsored by DEA; and to Virginia for the DEA-sponsored International Forensic Chemists Seminar. The USG funded \$22,000 in essential counternarcotics equipment under a letter of agreement.

**The Road Ahead.** In concert with other donor countries, the U.S. will press the BDG to improve its intra-governmental coordination and to focus resources on airport, border, and seaport interdiction efforts. It will also encourage enactment and implementation of money laundering legislation.

## INDIA

### I. Summary

India is an important crossroads for international narcotics trafficking. It is located between the two main sources of illicitly grown Asian opium, the Golden Triangle and the Golden Crescent regions, and is itself the world's largest producer of licit opium. An unknown quantity of opium is diverted from the country's legal production, and there is illegal poppy cultivation as well. There are unauthorized exports of essential and precursor chemicals, and of methaqualone (Mandrax), a popular drug in southern Africa. The Government of India (GOI) has a cooperative relationship with DEA. However, authorities have had limited success in prosecuting major narcotics offenders because of the lack of enforcement funding and weaknesses in the intelligence infrastructure. The GOI needs to take more aggressive enforcement measures and to demonstrate more resolve at the highest levels to counter trafficking and addiction.

India sought to curtail the diversion of licit opium, but failed to establish scientifically the minimum yield that must be sold to the GOI. Controls on acetic anhydride (AA), used to process opium into heroin, instituted in 1993, began to have limited effects in 1994. India met formally several times with both Pakistan and Burma to discuss narcotics matters and is committed to continue the consultations in 1995. Although these meetings have produced only limited results, they were an important step toward much-needed regional narcotics cooperation.

India is a party to the 1988 UN Convention, but has not yet enacted supporting legislation on asset seizures or money laundering; this leaves its law enforcement agencies without the tools to achieve fully the convention's goals and objectives.

### II. Status of Country

India is the world's largest producer of legal opium for pharmaceutical purposes, and the only country that still produces gum opium instead of concentrate of poppy straw (CPS). Opium is produced legally in the states of Madhya Pradesh, Rajasthan, and Uttar Pradesh, and there is diversion in all three. For the past several years, the GOI has been reducing opium stocks; in 1994, the GOI was unable to fulfill contracts with U.S. pharmaceutical customers because of the reduction in stocks and its inability under the old storage system to maintain an accurate inventory. To cover the shortfall and to meet anticipated 1995 demand, the GOI increased authorized cultivation for the 1994-5 crop year by 70 percent.

Criminal organizations produce semi-refined heroin from both diverted legal opium and illegally grown opium. Poppies are grown illicitly in the Himalayan foothills of Kashmir and Uttar Pradesh, and in northeast India near the Bangladeshi and Burmese borders in the states of

Manipur, Mizoram, Nagaland and Arunachal Pradesh. Diverted opium is consumed domestically and processed for export. Heroin base (No. 3 or 'brown' heroin) is the domestic drug of choice, except in the northeast state of Manipur, where needle sharing from the intravenous use of No. 4 (pure) heroin from Burma has spread the AIDS virus. Brown heroin is readily available in Nepal, Bangladesh, Sri Lanka, and the Maldives.

India produces AA for legitimate consumers, such as the tanning industry, but a significant quantity is diverted to heroin labs throughout southern Asia. GOI controls on AA, imposed in 1993, are beginning to have an impact, although only slowly.

India is also a transit route for illicit narcotics from Afghanistan, Pakistan, and Burma bound mainly for the European market. Although Indian traffickers have made large shipments of heroin directly to the U.S. and Canada, the most dramatic recent increase has been in the trafficking of Indian-produced methaqualone to southern and eastern Africa.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** The Central Bureau of Narcotics (CBN) and the Narcotics Control Bureau (NCB), responsible respectively for coordinating licit and illicit drug control policies, sought to reduce trafficking. However, CBN and NCB officials have not always received the political and budgetary support needed to conduct a strong counternarcotics program. CBN reduced the number of licensed cultivators of licit opium and adopted measures to increase security of the licit crop.

**Accomplishments.** The GOI took a number of steps to discourage the diversion of licit opium to the illegal market:

For the third year, it raised the minimum yield of opium that licit farmers must deliver to the government in order to retain a license. All farmers will be required to submit at least 43 kgs/ha in the 1994-95 crop year. However, this is below the 60 kg/ha minimum qualifying yield (MQY) believed possible on the basis of a GOI crop study. The GOI did not explain to the USG the basis for the decision to raise MQY only from 40 to 43 kgs/ha.

The GOI withdrew licenses for almost one-third (40,000) of licensed farmers for failing to meet the MQY.

The GOI transferred all opium in its inventory to sealed cans. It also cleaned the vats in which opium had been stored and the bags in which it had been delivered to the factories, both to obtain more opium, and to prevent future discrepancies between book and physical stocks.

After cleaning the opium vats and storage bags, the GOI determined amounts lost in handling, storage and manufacture during the past 13 years and wrote off a large part of the discrepancy that had

developed between accounting stocks and physical inventories. The original discrepancy was close to 800 mt, prompting the GOI's inability to fulfill U.S. pharmaceutical's 1994 opium contracts. The USG does not believe the GOI has fully accounted for the discrepancy. However, this was India's first reliable physical inventory of opium stocks and it provided a base for future measurements.

The GOI expanded incentives for the most productive farmers for the 94-95 crop year. Those who produced more than 50 kgs/ha were licensed to cultivate 50-percent more land, and will receive a premium price for opium delivered in excess of MQY.

International initiatives undertaken by the GOI were:

Indian representatives met for the first time in recent history to discuss counternarcotics with local Burmese officials along their common border.

Under auspices of the UN and with USG encouragement, counternarcotic officials of India and Pakistan met in Vienna in July and in New Delhi in September.

India and Pakistan agreed that representatives of the narcotics agencies are to be included in future regular meetings between the Indian Border Security Force and the Pakistan Rangers.

Authorities seized 2,072 kgs of opium in 1994, down significantly from the 3,011 kgs seized in 1993. Heroin seizures of 906 kgs during the same period were slightly below the 1993 levels of 1,088 kgs.

GOI officials believe the decreases in seizures resulted from the reopening of alternative trafficking routes that had been closed following the Gulf War, the breakup of the former Soviet Union, and the more stringent security imposed on the production of licit opium in India. They also note that black market prices of opium in the legal production areas have more than doubled since 1993. However, India's alternate trafficking explanation is not corroborated by DEA or other reports. Actual trafficking appears to be up, although quantities cannot be verified.

Indian law enforcement agencies made 12,113 narcotics arrests in 1994, down almost 12 percent from the 13,723 detentions in 1993. AA smuggling continues along both frontiers, but available evidence indicates that the controls instituted in 1993 have begun to work and are driving up black market prices in Pakistan. Indian seizures of AA increased from 22 in calendar 1993 to 37 in 1994. The 23,855 liters seized in 1994 represented a 21 percent increase over 1993 seizures.

**Law Enforcement Efforts.** Jurisdictional problems hinder effective action against traffickers and illegal producers, but there is evidence the GOI is according the coordination issue a higher priority. A senior interagency group meets quarterly, chaired by the Director General of the NCB. The GOI spent considerable effort in educating state and local

law enforcement personnel about narcotics, resulting in increased seizures in 1992-93; the number of arrests has since stabilized. The average quantity of seizures has decreased. Indian officials regard this as a positive sign, indicating the difficulty traffickers face in moving heroin. However, U.S. officials see the lack of large seizures as indicative of a need for improved narcotics intelligence, since there are no indications of decreased trafficking and reports of large shipments continue. It also suggests the need for greater political will on the part of the GOI to make drug enforcement an important priority.

Authorities did not seize or investigate any heroin labs, according to the reports seen by the USG. Heroin labs operate in the vicinity of Bombay, primarily south of the city. There have been reports of processed heroin, primarily in Uttar Pradesh and Bihar, supplying Calcutta.

As a result of a huge backlog of narcotics cases, the GOI doubled the number of narcotics court in the past year, from 25 to 58.

Indian counternarcotics officers are a small force compared to the size of the country and the level of trafficking. The NCB has only 375 employees nationwide. Another primary force, the Directorate of Revenue Intelligence, which also handles customs duty evasion, has only 600 employees. While local and state police participate in counternarcotics efforts, few have the training or are committed to making narcotics interdiction a priority. GOI efforts to combat trafficking would benefit from more personnel and budgetary support, proportionate to the magnitude of the drug problem.

**Corruption.** Media reports allege corruption among police, government officials, and local politicians in a wide range of governmental activities, but successful prosecutions are rare. Criminal courts release some drug defendants without explanation or on weak legal grounds. The USG receives reports of narcotics-linked corruption, but cannot independently verify the extent. The CBN took a number of steps in 1994 to curb corruption. These include regularly transferring officers; not allowing officers to verify the area under cultivation in their home district; making the most productive farmers responsible for checking the hectareage of all farmers in the village (with violations resulting in the loss of license for both the offending farmer and the supervisors), and cross checking assays and weight of opium as it is delivered to government processing facilities.

The USG is assisting in investigating one case of possible drug-related money laundering through a GOI-owned corporation. Corruption at the working level is believed to be extensive.

**Agreements and Treaties.** The U.S.-UK extradition treaty of 1931 governs the extradition of fugitives between the U.S. and India, but the two countries are negotiating a new treaty. Neither government made any drug-related extradition requests during 1994. The Indian Foreign Ministry refused to extradite one U.S. fugitive in 1994, despite a favorable ruling by the Indian Supreme Court.

In May, officials of the GOI and USG signed a Memorandum of Understanding on Cooperative Measures to Increase Awareness Of and Support For Efforts to Combat Production, Distribution and Use of Illegal Drugs. The U.S. and India signed a narcotics agreement in 1990. India is a party to the 1961 UN Single Convention on Narcotic Drugs, its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention, but it has not yet completed implementing legislation.

**Cultivation and Production.** India is the world's largest source of opium for legitimate pharmaceutical use, producing 333 mt in 1993 and 415 mt in 1994 (both measured at ten-percent moisture). The 1993 crop was small because of hail storms near the end of the growing season. Weather conditions were more favorable in 1994, and the USG has no explanation of the fact that the 1994 crop turned in to the GOI for licit sale did not reach the predicted 500-600 mt level.

Unlike other opiate raw material suppliers, India produces opium gum only, with a high content of thebaine, an alkaloid essential to certain pharmaceuticals. The GOI has completed a preliminary feasibility study on converting some production to the concentrate of poppy straw (CPS) method.

Intelligence analysts estimate that farmers diverts some 30-50 percent of the licit crop prior to delivering opium to the GOI. The difference between actual opium yield and opium delivered to the GOI creates the greatest opportunity for diversion; thus the U.S. gives great importance to clarifying real crop yields. A 1994 crop survey reportedly showed attainable yields of 65 kgs/ha or more. If this figure is correct, it would imply very substantial diversion to the illicit market. The USG is seeking a copy of the survey which the GOI has thus far refused to share.

Although the CBN indicated an interest in U.S. participation in a more extensive crop survey in late 1994, and the USG offering to participate in a joint opium crop yield survey in early December, the GOI did not officially respond to the USG request for high-level agreement in time to plan a 1995 joint crop survey. A well-designed crop study would provide data on expected yield, which, in turn, would enable the GOI to establish scientifically reasonable levels for MQY. Optimal MQY would eliminate a large portion of potential diversion of licit production into illicit markets.

For the past fifteen years, the GOI has been reducing its licit opium production by reducing cultivation in response to concerns from the INCB and the U.S. that excessive inventory levels presented a threat to the security of licit opium stocks. The GOI sold approximately 300 mt more than it acquired in each of the past five years. The GOI did not conduct an accurate physical inventory for at least 20 years, however, and a large discrepancy developed between the amount shown in accounts ("book inventory") and the amount actually on hand ("physical inventory"). In June, India reported opium stocks of 950 mt to the INCB. Little more than a month later, it advised INCB orally that usable stocks actually on hand were, in fact, only 150 mt. INCB conducted an audit, noting that reporting inaccurate stocks violated the 1954 Single Convention on Narcotic Drugs. Accurate physical inventories will be required in the future.

In large part because the GOI did not know the actual size of its opium stock on hand at the beginning of the year, the GOI signed contracts with pharmaceutical firms to sell more opium than it had available. Pharmaceutical firms have agreed to a guarantee of priority fulfillment of contracts from the spring 1995 crop at 1994 prices. The GOI will sign no contracts in 1995 until it knows the actual size of the licit crop.

The GOI's plan will rebuild inventories and further improve security: reduce the number of cultivators; increase allowable cultivated area per farmer, with incentives in future years for production in excess of MQY; bring on new cultivators only in areas with a history of the highest yields; and eliminate the differential between MQY for Uttar Pradesh and the other states.

The area licensed for cultivation in 1994-5, 24,000 hectares, was calculated to produce enough opium to fulfill the 1994 contracts, as well as anticipated demand in 1995, plus ten percent for loss. This is a 71-percent increase in cultivation. Production is planned to remain close to this level for five years. The GOI plans to bring inventory to about 500 mt, about two-thirds of normal demand, which should enable the GOI to meet pharmaceutical needs in the event a harvest fails.

The USG is concerned because diverted opium appears to be proportional to cultivated land. If true, this increase in cultivation, not based on scientific yield figures, could lead to a comparable increase in diverted opium.

India also has significant illicit cultivation, primarily in areas such as Jammu and Kashmir where GOI control is challenged by insurgent groups. USG satellite surveys indicate 1994 illicit cultivation in the range of 5,500 ha, with an estimated yield of 82 mt of opium. Because precise figures on diversion of licit opium are not available, the figures may be disputed. However, between illicit production and diversion, India is believed to be the third largest producer of illicit opium in the world. After initial expressions of interest, India turned down a letter of agreement for India to conduct an aerial survey of the illicit crop, allegedly because the USG's \$50,000 contribution was judged inadequate for the magnitude of the project.

**Drug Flow and Transit.** India's role as a major transshipment point for heroin from Southwest Asia (Afghanistan and Pakistan), and from Southeast Asia (Burma, Laos, and Thailand) is becoming clearer as more attention is devoted to studying the heroin trade. Heroin is smuggled from Pakistan and Burma, with some transshipped through Nepal. Most heroin shipped from India goes to Europe, although some major shipments have been sent to Canada and the U.S. The export of methaqualone, principally to Africa, has become a serious problem. The GOI seized 32.5 mt of methaqualone in 1994, compared to 15 mt in 1993. The GOI prepared to institute nationwide controls on the sale of methaqualone. The GOI is considering controls on ephedrine, used to make amphetamines, as the result of U.S. concerns about illicit exports that eventually reached the U.S. The NCB is cooperating closely with DEA on controlled shipments of ephedrine.

**Demand Reduction.** There is no accurate data on the extent of opium and heroin addiction, although surveys now under way with cooperation from the U.S. should be available in 1995. Government estimates of from one to five million opium users, and about one million heroin addicts remain unchanged. The Health and Welfare Ministries, the UNDCP, and police groups support treatment and rehabilitation centers. Voluntary agencies conduct demand reduction and public awareness programs under grants from the Indian government, but lack both funding and staff. As in 1993, the USG funded a series of demand reduction training seminars in major Indian cities.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG works with the GOI to focus more high level attention on and allocate more resource to narcotics control programs, and urged the GOI to update its domestic laws to comply with the obligations of the 1988 UN Convention, particularly those related to asset forfeiture and money laundering.

In November, the Director of the President's Office of National Drug Control Policy visited India, meeting with the Finance Minister, members of parliament, and senior narcotics officials. A central focus of that visit was the need for India to adopt money laundering legislation. The USG has provided detailed material on U.S. money laundering legislation to the appropriate ministries and to parliament. Legislation is being drafted, although the government has not yet offered a timetable for its submission to the parliament.

**Bilateral Cooperation.** The USG funds training for enforcement personnel and for the Indian Coast Guard. Relations between the DEA and NCB are cordial, with emphasis on exchanges of narcotics information and controlled deliveries from India to other countries.

Pursuant to the U.S.-India Narcotics Agreement of 1990, India and the U.S. signed letters of agreement in 1992 and 1993 to improve India's interdiction capabilities, and to tighten security at its opium production facilities. The GOI declined a 1994 letter of agreement, which would have provided partial funding for an aerial survey of illicit crops.

**The Road Ahead.** The GOI took a number of steps in 1993 and 1994 to address what it concedes are serious shortcomings in its licit opium cultivation program. Having improved factory and inventory security, the GOI now needs to focus on diversion by farmers after harvest. More resources and increased political support are needed for counternarcotics forces, particularly to combat corruption and to close judicial loopholes. In the coming years, the U.S. plans to encourage the GOI to intensify its efforts to combat illicit cultivation and trafficking, improve its extradition practices, identify, prosecute and convict corrupt officials, and pass enabling legislation in support of the 1988 UN Convention.

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**Statistical Tables**

TABLES for CY		1994*	1993	1992	1991	1990
<b>Opium</b>						
Harvestable (illicit opium)	[ha]	5,500	4,400	-	-	-
Potential Yield (illicit opium)	[mt]	82	66	-	-	-
Eradication (illicit opium)	[ha]	-	25	4	19	24
Harvestable licit cultivation	[ha]	12,500	11,645	13,932	14,247	14,317
Eradication (licit opium)	[ha]	1,500	1,800	68	513	289
Licit cultivation	[ha]	14,000	13,445	14,000	14,760	14,606
Yield (Licit)	[mt]	415	333	495	392	437
<b>Seizures</b>						
Opium	[mt]	1.5	3.0	1.2	2.1	2.2
Heroin	[mt]	0.718	1.088	1.034	0.555	2.200
Morphine	[mt]	-	0.040	0.03	0.01	0.01
Cannabis	[mt]	-	97.2	58.9	52.6	39.1
Hashish	[mt]	-	9.6	5.1	4.40	6.40
Methaqualone	[mt]	-	9.9	7.5	-	-
Acetic Anhydride	[mt]	35	22	-	-	-
<b>Arrests</b>						
Nationals		9,239	13,563	12,734	5,317	4,068
Foreigners		-	160	116	93	234
<b>Total Arrests</b>		<b>9,239</b>	<b>13,723</b>	<b>12,850</b>	<b>5,300</b>	<b>4,302</b>
<b>Labs Destroyed</b>						
Heroin		-	0	5	2	12
Hashish		-	-	3	-	-
<b>Users (millions)</b>						
Opium		1.0-5.0	1.0-5.0	1.0-5.0	1.0-5.0	4.0
Heroin		1.0	1.0	1.0	1.0	1.0

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\*1994 figures are for the first ten months of the year. 1993 figures are for the crop harvested in April 1993. Seizures, arrests, and destruction of laboratories statistics are from the Indian Narcotics Control Bureau.

## IRAN

### I. Summary

Iran is a major transshipment point for illegal opiates, primarily opium and morphine base moving from the Golden Crescent to Turkey, where it is refined prior to further distribution in Europe and the U.S. Iran also cultivates opium poppies. The USG estimated in 1993 that opium poppies were cultivated on 3,500 ha.

The Government of Iran (GOI) maintains that it has an active counternarcotics campaign. Radio broadcasts almost daily claim seizures of narcotics, primarily morphine base and opium, as well as the arrest and frequent execution of traffickers. UNDCP visitors conducted on-site inspection of some drug seizures, including one exhibit room with 30 mt of narcotics. Observers have also verified that Iran has fortified its border with Pakistan in an attempt to prevent narcotics caravans from crossing from Baluchistan, Pakistan, to Baluchistan, Iran. Some traffickers have reported battles with Iranian forces which have forced them to be more cautious.

### II. Status of Country

Although Iran is an opium producer, most domestic production is assumed to be consumed by Iranian addicts. Iran also is a conduit for opiate raw materials from Pakistan and Afghanistan, which pass through Iran in route to final processing in Turkey. Processed heroin also is sometimes delivered through Iran. The USG is skeptical of Iranian claims about the extent of its counternarcotics drive because of the volume drugs which flow through Iran.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The GOI signed a tripartite agreement with UNDCP and Pakistan to reduce trafficking in the region. The USG is unaware of any other new policy initiatives during the year.

**Law Enforcement Efforts.** Because the USG and Iran do not have diplomatic relations, the U.S. has only limited information concerning the adequacy of legal and law enforcement counternarcotic measures taken by the GOI. According to an Interpol report, which is probably based on GOI figures, the GOI seized nearly 112 mt of opium, 15 mt of morphine and 800 kgs of heroin in 1994. If these figures were accurate, they would suggest that Iran seizes far more narcotics than any other opium/heroin transit or producing state. The USG continues to receive reports from exiles and human rights groups claiming that some of those arrested as traffickers, in fact, are members of separatist or opposition movements. Many of the traditional trafficking organizations are operated by Kurds and Baluchis; claims that arrested individuals are narcotics traffickers have a high degree of credibility in Iran.

**Corruption.** The USG receives intermittent reports that drug-related corruption is endemic among GOI law enforcement and security personnel. According to these reports, there is extensive bribing of border guards to permit drug caravans through the reinforced border crossings. Arrested traffickers are sometimes set free upon payment of a bribe. Iran's economic difficulties, particularly its inflation rate of approximately 50 percent and an unemployment rate of more than 30 percent, likely contribute to corruption. In the absence of diplomatic relations, the USG lacks specific information on the extent to which the GOI has taken legal and law enforcement measures to prevent and punish such corruption. It does not appear that, as a matter of government policy, the GOI encourages or facilitates drug production, distribution, or money laundering. The USG does not have evidence of involvement of senior GOI officials in narcotics activities.

**Agreements and Treaties.** In January 1994, Iran signed a regional counternarcotics agreement with the UNDCP and Pakistan. There are plans to include Afghanistan in the future. Iran has ratified the 1988 UN Convention, but the USG is unaware of the passage of implementing legislation to permit complete compliance with its requirements. Counternarcotics agreements have been signed with several countries.

**Cultivation and Production.** In addition to opium poppy cultivation of about 3,500 ha, some opiates cultivated outside Iran are processed into morphine base or heroin by Baluchis in the southwest, and Kurds and Azeris in the northeast.

**Drug Flow and Transit.** Turkey seizes opiates that have transited Iran, some by sealed trucks, others by more primitive means. Ethnic Iranian traffickers in Turkey use their connections in Iran to facilitate shipments through that country. Opiates enter Iran both directly from Afghanistan and via Pakistan.

**Demand Reduction.** The USG has little information on demand reduction programs. Addicts are commonly arrested. GOI figures released in 1994 state that more than 52,000 prison detainees were convicted on drug charges. Prison officials claimed they offered rehabilitation programs, including workshops which reportedly employed 21,000 inmates in textiles, carpentry and farming. Press reports put the total number of addicts at two million, but the USG cannot verify this estimate.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** In the absence of USG diplomatic relations with Iran, no narcotics initiatives are planned. The USG does encourage regional cooperation among countries in the region.

## MALDIVES

The Republic of Maldives, composed of 1,100 islands in the Indian Ocean, has only a modest drug problem. The Government of the Republic of Maldives (GORM) fears, however, that narcotics traffickers may begin to increase drug transshipment. To help counter this possibility, the GORM, with USG assistance, is currently computerizing its immigration record-keeping system. Two customs officials participated in a training seminar sponsored by U.S. Customs in Sri Lanka in June, while three National Security Service officers took part in a DEA-sponsored training program in India in September. USG supports demand reduction programs sponsored by the Colombo plan, of which the GORM is a member, which promote public awareness of the dangers of narcotics addiction.

Although the GORM has no formal extradition treaty with the U.S., its cooperation was crucial in bringing a Nigerian national detained in Maldives to the U.S. in September to face narcotics trafficking charges. The GORM signed the 1988 UN Convention in 1989, but has not yet ratified it. The GORM, signed the South Asian Association for Regional Cooperation (SAARC) Convention on Narcotic Drugs in 1990; it entered into force in 1993.

## NEPAL

### I. Summary

Nepal is not a significant producer or consumer of narcotic drugs. Although not yet a major drug transit country, its 1,000 mile border with India, as well as its proximity to Pakistan and Burma, make it an ideal alternate route for illicit narcotics transiting Asia to Europe and the U.S.

The Government of Nepal (GON) initiated its commitment to narcotics control by signing a Narcotics Master Plan with the UNDCP in 1992 and forming a Drug Law Enforcement Unit (DLEU) in 1993. During 1994, the DLEU was active, but implementation of the master plan slowed. Nepal is a party to the 1988 UN Convention, as well as to the 1961 UN Single Convention, the 1972 Protocol thereto, and the 1971 Convention on Psychotropic Substances.

### II. Status of Country

Southwest and Southeast Asian heroin is smuggled into Nepal across the porous Indian border and through Kathmandu's international airport. There has been a dramatic increase in recent years in the number of Nepalese arrested for drug offenses overseas, most commonly in Hong Kong, indicating both a rise in trafficking and more effective law enforcement efforts. Prior to 1994, brown heroin (No. 3 heroin) was the drug of choice in Nepal. However, while use of heroin has continued to rise, abuse of locally grown cannabis and hashish is more widespread. These drugs are marketed in freelance operations, independent of major international trafficking organizations.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The extent of cannabis cultivation is unknown, but substantial. Crop eradication efforts focus almost entirely on cannabis.

**Cultivation and Production.** The lack of a crop substitution program complicates efforts to eradicate locally grown cannabis. There is minimal cultivation of opiates. Detection is complicated by small plantings amid licit crops. All heroin seized in Nepal is thought to originate elsewhere.

**Drug Flow and Transit.** Nepal lacks the ability to analyze narcotics intelligence on drug flows through the country. Reporting indicates that there is inadequate narcotics control security at Kathmandu's International Airport, facilitating the transit of drugs. Increasing arrests of Nepalese couriers overseas indicate that Nepal's importance as a transit point may be increasing.

Drug-related arrests and contraband seizures have trended sharply upwards for the past several years. Authorities make most seizures of heroin and hashish in Kathmandu.

**Demand Reduction.** The GON works with voluntary agencies to heighten public awareness of the dangers of narcotics abuse. During 1994, UNDCP undertook a survey of local demand reduction agencies, advised the Home Ministry on designing educational materials and curricula, and sponsored a drug training session for teachers.

**Law Enforcement.** Drug-related arrests and contraband seizures have risen sharply for the past several years. Most seizures of heroin and hashish are made in Kathmandu's international airport. One weakness in the GON's law enforcement effort is the lack of coordination and cooperation between the DLEU and Nepal's Customs, Immigration, and National Police Services. However, in cooperation with UNDCP, the GON did conduct in 1994 a counternarcotics training session for law enforcement personnel from all over the country.

#### **IV. U.S. Policy Initiatives**

**Policy Initiatives.** The USG works closely with representatives of all relevant institutions and GON agencies to further progress under the UNDCP Narcotics Master Plan, and to implement the Narcotics Control Act. The USG also works closely with other donor nations, and provides funding for demand reduction activities. The U.S. does not have a bilateral narcotics agreement with Nepal, but cooperation continued to broaden in 1994.

**Road Ahead.** The U.S. was instrumental in bringing about Nepal's new commitment to drug control. The USG plans to support activities related to improving operational and training programs with the DLEU.

## PAKISTAN

### I. Summary

Pakistan is an important producer of, as well as a major transit country for, opiates and cannabis destined for the international markets. In the 1993-4 crop year, Pakistan produced about 160 mt of opium from about 7,300 ha of poppy. Despite the efforts and dedication of some counternarcotics officials, Pakistan made only modest counternarcotic progress in 1994. Pakistani authorities arrested no new major narcotics traffickers, eradicated only 463 ha of opium poppy, continued extradition proceedings against several drug figures, but did not extradite any, and faced continued delays in the trials of arrested traffickers, such as Notezai. They closed down no heroin laboratories operating in the tribal areas of the North West Frontier Province (NWFP) and did not significantly expand areas in the tribal areas where opium production is banned. Pakistan is a party to the 1988 UN Convention. Legislation to bring Pakistani law into conformity with the Convention has not yet been presented to parliament, but on January 9, 1995, it was promulgated by the president as a temporary ordinance.

Pakistan agreed to cooperate with India on controlling the smuggling of essential precursor chemicals and narcotics, extended Pakistani drug laws to cover the tribal areas (and used the authority in 1995), and seized increased amounts of illicit drugs. The Anti-Narcotics Force (ANF) filed twelve new asset seizure cases.

The Government intensified its efforts in early 1995, building on groundwork laid in 1994, freezing almost \$70 million in assets of seven major traffickers, improving eradication efforts in the NWFP and extending the poppy ban in Bajaur Agency, raiding a hashish factory in the NWFP, and seizing 132 mt of hashish and 480 kgs of heroin. It also created a demand reduction office in the ANF. The USG recently received notification that the GOP indicated a willingness to proceed expeditiously on outstanding extradition requests.

### II. Status of Country.

Pakistan is a significant producer and transit country for opiates and cannabis products, producing about 160 mt of opium in the last crop year. Intelligence information and seizures indicate that considerable amounts of Afghan opiates and cannabis products are either consumed in Pakistan by its addict population, or pass through on their way to world markets. Morphine base is produced in the tribal areas of the NWFP for refining abroad, and heroin is produced for domestic use and for export. For domestic political reasons, the Government of Pakistan (GOP) did not take action against processing laboratories, or illicit cultivation, in the NWFP in 1994. In addition, considerable amounts of Afghan opium, morphine base, and cannabis products are either processed in labs or transhipped through Pakistan.

The government included provisions against money laundering and forfeiture in the temporary antinarcotics ordinance promulgated in January 1995. Pakistan is a moderately significant money-laundering center.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** The GOP announced a number of legal and foreign policy initiatives in the drug control area. It made the ANF, led by an army major general, a permanent force, and continued efforts to meld it into an effective drug enforcement agency. It increased funding for the ANF by 34 percent in a supplemental appropriation to about \$1.65 million, while the budgets of virtually all other GOP agencies were frozen or cut substantially. The GOP hopes to avoid the corruption that pervaded the Pakistan Narcotics Control Bureau by building a new drug enforcement agency from the ground up. The GOP is hampered by IMF fiscal limits in providing adequate financial resources for narcotics efforts. The GOP is further constrained by its belief that vigorous police efforts to enforce the poppy ban in the tribal areas of the NWFF could provoke widespread violence from the heavily armed tribesmen in the region. The two agencies in the tribal areas that produce the most opium, Dir and Mohmand, openly rebelled against the Federal Government in November and December. While the GOP would like to bring the tribal areas into the mainstream of Pakistani life and end opium production, it feels that it must move slowly to minimize violence.

Pakistan amended existing drug trafficking laws in 1994 to increase periods of incarceration, to permit the death penalty, and to authorize asset confiscation. The government extended existing drug laws to cover the tribal areas, making drug crimes illegal for the first time in these parts of Pakistan. However, in the several months since the extension, the law apparently has not been enforced in the tribal areas. Paramilitary forces did raid a hashish factory in Khyber Agency in January 1995, seizing 132 mt of hashish and a reported 480 kgs of heroin, a significant step that prompted an armed march against the city of Peshawar.

Pakistan agreed with India to cooperate in curbing the trafficking of essential chemicals and narcotics. It also signed a memorandum of understanding with Iran to cooperate against Afghan drug traffickers. There apparently have been only modest results from these accords.

The Narcotic Control Division is discussing a narcotics Master Plan with the UNDCP. NCD officials state that a strategy has been agreed upon at the working level. This is one of the goals of Pakistan's bilateral counternarcotics agreement with the USG.

**Accomplishments.** Despite several public statements by the prime minister and senior members of her government reiterating the importance of counternarcotics efforts, there have been few concrete achievements in 1994.

Pakistan placed little or no additional hectareage in the tribal areas of the NWFP under the opium ban. Eradication of illicit poppy cultivation fell for the second consecutive year. It destroyed only 463 ha in 1994, compared with 856 ha in 1993. An eradication campaign conducted in Bajaur Agency in mid-January 1995 reputedly eradicated 1,100 ha, or the equivalent of half of Bajaur's 1994 crop. One police official was killed in the operation.

Authorities seized no refineries, nor arrested any opiate producers, although local authorities negotiated the surrender of some laboratory equipment used for drug processing. There is no evidence that the overall level of production in the labs decreased as a result of these negotiations.

The parliament passed legislation strengthening penalties for narcotics trafficking, including the death penalty. The prime minister signed a decree in September extending the 1930 narcotics law to the Federally Administered Tribal Areas (FATA) of the NWFP, which previously had not been subject to the provisions of the law. On January 9, 1995, President Leghari promulgated a comprehensive narcotics decree that included some money laundering provisions. It is valid only for 120 days, but can be re-instituted by presidential decree if not adopted by the parliament.

The government is pursuing several cases involving important legal principles in the courts. The ANF is presently prosecuting Pakistan's first asset seizure case. At the close of 1994, the GOP was pursuing eight U.S. requests for extradition which have been subject to court proceedings for as long as 30 months. No extraditions took place in 1994.

In 1994, the Supreme Court ruled that some direct evidence of guilt must be provided in extradition requests. The Pakistani judicial system is slow moving, and provides ample opportunity for defense counsel to delay processing. Recently, the GOP indicated a willingness to proceed expeditiously on outstanding extradition requests. Extraditions are among the areas covered in the bilateral agreement between Pakistan and the U.S.

Pakistani authorities filed 12 new asset seizure cases during 1994. If there is a favorable decision in the first case, thereby establishing a precedent, the ANF will prosecute the other cases. The small size of the ANF, its lack of legally and financially trained personnel, and the clogged Pakistani court system, resulted in little progress in this area. In late January 1995, the GOP announced the freezing of assets of seven major drug traffickers. These assets were valued at about \$70 million. The traffickers are permitted to use the assets while they are frozen; however, they may not sell or transfer them.

Pakistan's prosecutions of major traffickers now under arrest, such as Sakhi Dost Jan Notezai, were tied up in the Pakistani court system during 1994. It is disappointing that a major case, such as that of Notezai, has been moved from court to court repeatedly and remains unresolved more than three years after its initiation.

### **Law Enforcement Efforts.**

Pakistani authorities have not arrested any of the major traffickers whose extradition has been sought by the USG since 1993. While ANF leaders have earned the respect of DEA, and information sharing is common, the ANF has not yet developed its own investigative powers sufficiently to cooperate in major cases.

Data prepared by the ANF indicate that Pakistani law enforcement officials in 1994 seized 14.36 mt of opium, 6.2 mt of heroin (DEA tests indicate much of this is morphine base, rather than heroin), 178.3 mt of hashish and 2,773 liters of acetic anhydride. These figures represent a decrease in hashish seizures, but show increases of 250 percent in opium taken, and 44 percent in heroin captured. Arrest figures provided by the ANF report 48,296 drug arrests, a 15.2 percent increase over 1993. Of concern is the fact that all arrestees were couriers, and that in several instances of drug seizures, no arrests were made.

Counternarcotics law enforcement responsibilities are shared by the ANF, Customs, Coast Guard, and the Border Forces. The efforts of all these forces are primarily directed toward interdicting shipments of essential chemicals and drugs, rather than developing usable intelligence, investigating, indicting and arresting major traffickers. The ANF absorbs the best personnel from the old Pakistan Narcotics Control Board, and is establishing offices and organizations in all four provinces of Pakistan. The GOP has authorized that the ANF be almost doubled in size to 2,200 members. Its expansion to a fully effective force probably will take at least three more years. Because of the unfamiliarity of most of the new leadership and recruits with criminal investigations, substantial training will be required. ANF leaders have been scrupulously reviewing candidates in an effort to accept only honest candidates. The rigorous screening has slowed recruitment.

Although senior Pakistani officials improved efforts to cooperate on an inter-agency basis by instituting a law enforcement coordination committee, the lack of cooperation at the working level remained an impediment to developing strong cases on major traffickers or shipments.

The GOP supplies substantial (by Pakistani standards) funding for both the Narcotics Control Division and the ANF, but needs still far outstrip resources. The USG law enforcement project, the UNDCP, and other donors contribute equipment, training and other resources to augment the \$1.65 million provided by the GOP. The Pakistani army has provided high quality officers to lead the ANF, and has indicated its continued commitment to supporting the antidrug effort. It also has supplied material, office space and transportation.

**Corruption.** A former head of the Coast Guard was removed from his position in 1994, allegedly for corruption, but was not prosecuted. Members of the former antidrug police force, the Pakistan Narcotics

Control Board, believed to be corrupt are not being accepted on active duty in the new antidrug organization, the ANF; however, they are not being prosecuted. The ANF is setting up an internal affairs unit to control corruption in its ranks.

No action has been taken against the official who released Shorang Khan, a major Afghan trafficker, after only three days in custody. There were other incidents during the year as well, such as the release of Rafi Munir, which would seem to indicate corruption in the judiciary. No action has been taken against the individuals involved in these cases either. Sufficient legislation exists to control and punish public corruption, but these laws are not enforced.

The USG is unaware of any senior official of the GOP who engages in or facilitates the production or distribution of narcotics, but occasional accusations continue to surface that senior officials have condoned trafficking.

**Treaties and Agreements.** Pakistan is a party to the 1961 UN Single Convention on Narcotic Drugs, which it ratified in 1965, but not to the 1972 Protocol amending it. It is also a party to the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention, which it ratified in October 1991.

The parliament did not enact legislation to bring Pakistani law into compliance with the 1988 UN Convention in 1994. As a result, President Leghari promulgated the legislation as an emergency ordinance on January 9, 1995, valid for 120 days.

Extradition between the U.S. and Pakistan takes place under a treaty signed between the U.S. and the UK in 1931, made applicable to India in 1942, and the terms of which Pakistan accepted at independence.

In late 1994, Pakistan agreed to cooperate with India on controlling the smuggling of essential drug producing chemicals and narcotics between the two countries.

On May 5, Pakistan signed an agreement with Iran and the UNDCP to cooperate on controlling drug transit trade from Afghanistan. During 1994, it also agreed with the United Arab Emirates to expand cooperation against "narco-terrorists".

**Cultivation and Production.** Almost all of Pakistan's poppy is grown in the tribal areas of the NWFP, bordering on Afghanistan. Cannabis grows wild in Pakistan and is cultivated in the Chitral Agency of the NWFP. In the 1993-4 crop year, Pakistan produced about 160 mt of opium from about 7,300 ha of poppy, according to U.S. remote sensing technology. This is a 16-percent increase in opium acreage, and a 14-percent increase in opium production from their 1992-93 figures. Other sources agree on the 1993-94 crop estimate, but do not believe it was an increase from the previous year. All sources agree that Pakistan in 1993-94 was probably the third-largest cultivator of illicit opium in the world, after Burma and Afghanistan.

Pakistan wishes to increase government control over the tribal areas of the NWFP, but the rugged terrain and the hardy, independent, and well-armed tribesmen of the region make this a formidable task. The two agencies in the tribal areas that produce the most opium, Dir and Mohmand, were also the most heavily involved in an outright rebellion against the government over religious issues in November and December of 1994.

Reliable statistics on refining of opium into morphine base and heroin do not exist. Of the approximately 160 mt of opium produced in Pakistan in 1994, about 141 were available for refining after losses and seizures. If this were all refined, it would produce about 14 mt of heroin. However, this does not account for Afghan opium brought into Pakistan for processing.

Although ANF officials in Baluchistan claim that some morphine base refineries have been forced back into Afghanistan, there is no reliable evidence that this is the case. No refineries in the NWFP were shut down through government operations, although there were some negotiated closures. There is no evidence that the number of refineries in the NWFP decreased below the 100 estimated last year.

Most of Pakistan's refineries process opium gum only to the morphine base or low-quality brown (No. 3 or heroin base) heroin used by local addicts. However, although highly refined heroin is not mass produced, Pakistani refineries are capable of producing at least limited quantities of the purer product. Most of the couriers arrested in the Pakistani airports, generally of African nationalities, are transporting highly refined heroin.

**Drug Flow and Transit.** Considerable amounts of Afghan opium and morphine base flow through Pakistan. While there is no hard data to quantify the traffic, substantial amounts of morphine/heroin base have been identified moving from southwestern Afghanistan through Pakistan's Baluchistan province to the Arabian Sea, for transport to refineries in Turkey. Most of these opiates are loaded either in Karachi or off the Makran coast of Baluchistan. Another trafficking route moves opium and refined products from eastern Afghanistan through Baluchistan, Pakistan, into Baluchistan, Iran, through Iran and into southeastern Turkey. Additional opium from Afghanistan is transported to Peshawar for use in Pakistan. Yet another route moves drugs from eastern Afghanistan and the NWFP through Lahore for domestic use and shipment to India. Pakistani Customs reported seizing two relatively small shipments of refined heroin heading east on the Karakorum Highway to China.

The press reports regularly that Pakistanis have been arrested in Saudi Arabia, the Gulf States, Europe and the U.S. for narcotics trafficking. There are also regular arrests of Nigerians and other West Africans in Pakistan who have entered Pakistan to buy heroin for trafficking purposes. These couriers purchase a smaller amount of the purer heroin that Pakistani labs are capable of producing and then attempt to body carry it out of Pakistan, or hide it in luggage. The African couriers use many different routes to transmit the heroin to its final destination.

Essential chemicals for heroin production enter Pakistan in relatively small lots from India via train, and in much larger shipments from Europe through the port of Karachi. There has been progress in reducing flows of essential chemicals into Pakistan from India. In meetings between Indian and Pakistani counternarcotics officials, they agreed to cooperate in controlling acetic anhydride (AA) smuggling from India to Pakistan. Pakistan has difficulty identifying illegal shipments of AA coming through the port of Karachi from Europe.

**Demand Reduction.** Pakistan has a substantial drug abuse problem. A 1993 UN study indicated that Pakistan has about 3 million addicts of all kinds, 1.5 million of whom are heroin addicts. Most heroin addicts smoke the drug, but some needle users have been identified, mostly in the larger cities. Growth among the addict population seems to have slowed or stagnated after the extremely high growth of the late 1980s. Experts have been estimating between 1.2 and 1.7 million addicts for the last couple of years. The UN study merely provided a more precise estimate. Public efforts against drug addiction are limited to detoxification, without any follow-up treatment. A number of private clinics use a variety of treatment methods against addiction. Relapse rates are very high for almost all methods.

Building on groundwork laid in 1994, a demand reduction office in the ANF was established at the beginning of 1995. The GOP channels its demand reduction efforts through the UN's Integrated Drug Demand Reduction Project (IDDRP). Thus far, there is no coordinating body between federal and provincial demand reduction groups.

#### **IV U.S. Policy Initiatives**

**Policy Initiatives.** The USG will seek to promote progress in the following areas:

- More rigorous implementation of Pakistani drug laws and active support of U.S. and international counternarcotic laws and measures.
- Prosecution and imprisonment of heroin processors in all areas of the NWFP and Baluchistan, and confiscation of their property.
- Active investigations and prosecutions of major traffickers, including assets seizure and the interdicting of heroin and morphine traffic.
- Development of a coordinated, long-term national counternarcotics strategy, which includes exercise of federal enforcement authority in the Federally Administered Tribal Areas.
- Provision of higher levels of personnel and financial resources to support the narcotics control effort.

--Replacement of the temporary Comprehensive Drug Ordinances, by passing permanent legislation.

--Implementation of laws and bank regulations to prevent drug money laundering.

--Curbing of corruption in GOP law enforcement agencies, and ending of the influence of drug traffickers on government policy and the judicial process.

--Strengthened counternarcotics expertise of Pakistan's judicial system including creation, if necessary, of special narcotics courts capable of prosecuting and convicting major traffickers.

--Continued active GOP cooperation on bilateral investigations and extraditions of major traffickers.

--Curbing of smuggling of essential and precursor chemicals not only from India, but from the major sources in Europe by enforcing diversion controls on transportation and effective intelligence about illegal shipments.

--Expansion of the poppy ban and eradication of poppy in the NWFP with a goal of eliminating significant commercial cultivation within five years.

--Promotion of drug awareness, drug rehabilitation and demand reduction, by supporting the UN's IDDRP.

--Broadening public support for counternarcotics initiatives.

**Bilateral Cooperation.** The USG provided \$2.5 million in narcotics control assistance to Pakistan in 1994 under its annual letters of agreement that amend the original bilateral agreement on narcotics; this is the same amount as the previous year. This assistance is used for three primary programs: law enforcement, poppy ban expansion, and demand reduction. In earlier years, funds for poppy ban expansion in the NWFP were effectively supplemented by USAID development funds. The Pressler Amendment resulted in the departure of USAID from Pakistan during 1994, which limited the ability of the USG to provide crop substitution or development guidance. Poppy ban expansion efforts were also hampered by the inability of contractors to construct roads in a timely fashion, and by the recent insurrection in several of the NWFP agencies. USG poppy ban funds are primarily used to extend roads, and thereby political and law enforcement control, into areas of the NWFP where poppy is grown.

With the expansion of the ANF, however, and with additional requests from the Coast Guard, Customs, law enforcement requests for equipment and training have risen. The USG has provided ANF, Coast Guard and the Frontier Corps with vehicles and office and communication equipment. It is presently concentrating on those items of equipment that most enhance the

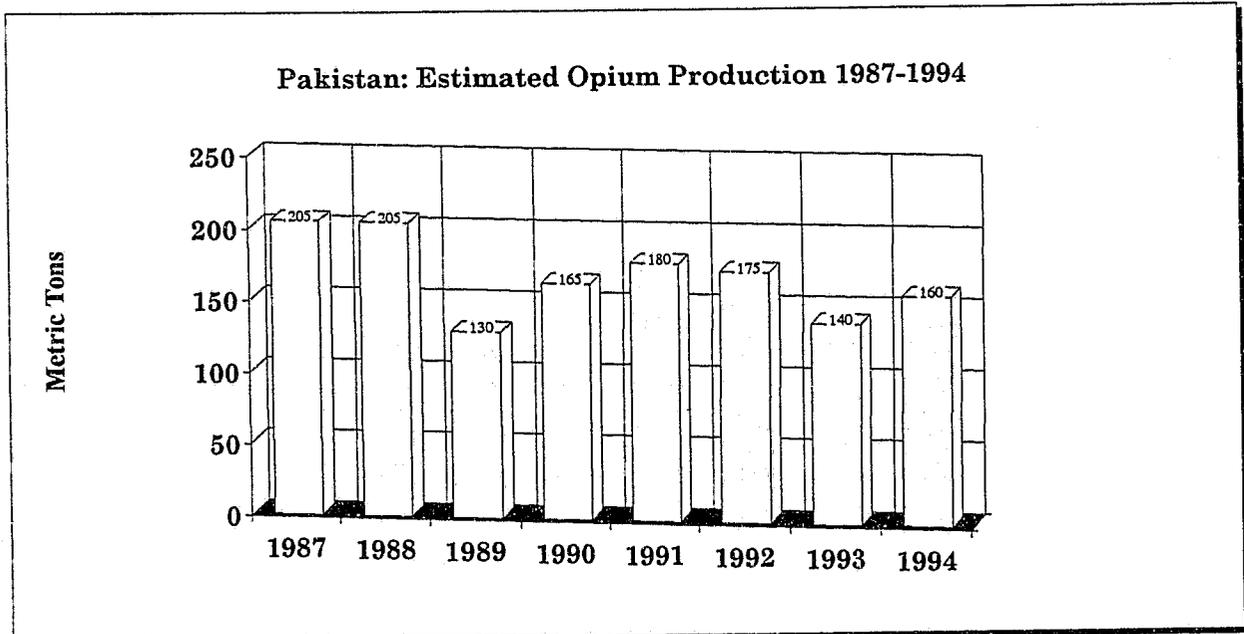
ability of units to pursue investigations. The USG also has been actively training Pakistani personnel to enhance their own training capabilities. Demand reduction efforts within Pakistan seek to increase public awareness of the dangers of drug addiction. USG funds have been used to translate antidrug programming into local languages, to fund spot announcements on TV, etc. and provided funding for those NGOs with higher rehabilitation rates.

**The Road Ahead.** The USG plans to press the GOP to take more actions that will impede major traffickers. Support for law enforcement will expand, based on helping the ANF to develop into a fully effective force, but it also will include Customs, Coast Guard, and the Border Forces. The USG plans to focus on the training and equipping of an Internal Affairs Division to identify and remove corrupt narcotics officers. The USG plans to expedite progress on crop reduction projects in the NWFP by opening up transportation into inaccessible valleys. Demand reduction efforts will be coordinated with the UN's IDDRP to achieve enhanced results. The USG will encourage the GOP to continue the progress noted early in 1995.

**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990	1989
<b>OPIUM</b>							
Potentially Harvestable	[ha]	7,270	6,280	8,170	8,205	8,220	5,850
Eradication	[ha]	463	856	977	440	185	810
Cultivation	[ha]	7,733	7,136	9,147	8,645	8,405	6,660
Theoretical Potential Yield	[mt]	160	140	175	180	165	130
<b>Seizures</b>							
Opium	[mt]	14.36	4.40	3.4	5.9	8.2	6.0
Heroin	[mt]	6.20	3.9	2.9	5.7	6.4	8.5
Hashish/marijuana	[mt]	178.29	189	188	237	241	106
Labs destroyed		18	13	11	18		
<b>Arrests</b>							
	persons	48,296	39,763	45,984	46,041	38,645	54,041
<b>Users (thousands)</b>							
Opium/heroin	persons	1,080	1,080	1,080	1,080	1,080	1,200
Other Cannabis	persons	1,000	1,000	1,000	1000	580	580
Other Drugs	persons	50	50	50	50	50	50

Figures for 1992 and 1993 have been corrected to reflect full year.



## SRI LANKA

### I. Summary

Legislation to comply with the 1988 UN Convention was put on hold in July when the president dissolved the parliament and called for general elections. The legislation has since been redrafted and it is expected to be resubmitted to parliament early in 1995. During 1994, Sri Lanka also began implementing a narcotics master plan, written in cooperation with the UNDCP, and continued its extensive demand reduction campaigns.

### II. Status of Country

Sri Lanka currently has a comparatively modest drug problem. There may be a slight, but steady, increase in narcotics consumption because of high unemployment levels. The Ministry of Defense has the overall responsibility for all counternarcotics and demand reduction activities. However, ethnic insurgency problems in Sri Lanka drain much of the ministry's resources, leaving it little time to address its other responsibilities. Furthermore, Sri Lanka has 1,100 miles of coastline, which cannot be adequately patrolled so long as Sri Lanka's naval resources are engaged in combatting the insurgency. Consequently, Sri Lanka's popularity as a transshipment point for narcotics from Southwest and Southeast Asia is expected to grow.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The Government of Sri Lanka (GSL) began implementation of a counternarcotics master plan. A legislative package was drafted for parliamentary consideration in early 1995. This package focuses on three counternarcotics issues: money laundering; treatment and rehabilitation of drug addicts; and compliance with the UN Convention and the 1990 South Asian Association for Regional Cooperation (SAARC) Convention.

**Law Enforcement Efforts.** The Police Narcotics Bureau (PNB), the Customs Service, and the Department of Excise share responsibility for narcotics interdiction. Cannabis is the only illicit narcotic cultivated and produced in Sri Lanka; eradication efforts declined in 1994, netting only one-fifth of the hectareage eliminated in 1993. In 1994, 9,772 suspects were arrested for narcotics-related offenses; 9,741 have been successfully prosecuted to date.

**Corruption.** The new government, voted into office in July, campaigned on an anti-corruption platform, and has established a permanent commission to investigate charges of bribery and corruption against public officials. The commission reported no cases of drug-related corruption of public officials in 1994.

**Agreements and Treaties.** Enabling legislation for the UN and SAARC Conventions is to be presented to parliament early in 1995. It will include specific provisions for extradition for narcotics-related offenses.

**Drug Flow and Transit.** Heroin is the only illicit drug detected transiting Sri Lanka in significant quantities. Most is detected at the airport, but undoubtedly a substantial number of transshipments take place along the Sri Lankan coast. Since Sri Lanka has no coast guard and its naval vessels are occupied responding to the insurgency, there is no reliable information on maritime transshipments of drugs.

**Demand Reduction.** Multi-media drug information campaigns are enthusiastically promoted by the GSL. In September, Sri Lanka signed a letter of agreement with the USG which provides \$20,000 for audio-visual equipment for public education campaigns.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG seeks to sustain and increase the GSL's efforts to promote increased awareness of the dangers of narcotics among the general population, and to advance self-sufficiency and regional cooperation among law enforcement and other government officials.

**Bilateral Cooperation.** In 1994, the USG bought the GSL software to support a regional database on drug arrests, investigations and other information for SAARC law enforcement agencies. The USG also sponsored three training seminars for Sri Lankan law enforcement officials, and provided office equipment and other logistical support for the SAARC seminar on law enforcement training held in Colombo.

**The Road Ahead.** Given the concern about the increasing use of Sri Lanka as a transshipment point for narcotics, assistance programs will focus on regional cooperation in enforcement and interdiction, and on providing more training programs.

**SOUTHEAST ASIA  
AND  
THE PACIFIC**



## AUSTRALIA

### I. Summary

Although Australia is primarily a drug consuming country, it does have potential significance as a transit point. Some heroin bound for the US market may transit Australia and Australia also may serve as a transshipment point for South American cocaine destined for Southeast Asia. Australia is a party to the UN 1988 Convention and an active participant in the Commission on Narcotic Drugs and the Dublin Group.

### II. Status of Country

Illicit drug use is recognized as a growing problem in Australia. Marijuana and amphetamines, which are produced locally, are the principal illegal drugs. Some amphetamines are smuggled from Australia into New Zealand. Evidence suggests that cocaine, smuggled in from South America and the US, is a growing concern. Heroin consumption remains a significant problem. There is a licit opium poppy industry in Tasmania, but there are effective controls to prevent diversion of the licit opium crop.

### III. Country Actions Against Drugs

**Policy initiatives.** Australia actively supports a vigorous international anti-drug policy. The 1993-97 national drug strategy plan, part of the National Campaign Against Drug Abuse (NCADA), sets out detailed domestic policies on drugs. This plan places primary emphasis on the problems of alcohol and tobacco abuse. Nevertheless, Government of Australia (GOA) policies recognize that drug use is a significant cause of social disruption, and a growing concern to the community. As a result, GOA law enforcement agencies strongly pursue anti-drug efforts. Australia is an active participant in international drug control forums such as the Commission on Narcotic Drugs and the Dublin Group.

**Accomplishments.** The GOA is conducting a strong counter-drug campaign and is a party to the 1988 UN Convention. Six state and three GOA federal agencies devote considerable resources toward combatting the drug problem. The Australian Federal Police (AFP) and DEA maintain representatives in each others' countries to coordinate their efforts against drug trafficking. Such cooperation led to the January 1994 seizure of 270 kilograms of cocaine during two coordinated raids in Sydney. This is the largest single seizure of cocaine ever recorded in Australia.

**Corruption.** Political and police corruption are routinely reported in the press. The authorities respond strongly to all instances of official corruption, and prosecute cases involving criminal behavior. The USG has no evidence that the GOA facilitates the illicit production or distribution of illegal drugs, or engages in drug trafficking or the laundering of drug proceeds.

**Agreements and Treaties.** A mutual legal assistance treaty with the US is under negotiation. A US-Australia extradition protocol is in effect. Australia cooperates closely with the US and third countries to counter money laundering, and is active in the Financial Action Task Force.

**Cultivation/production.** Cannabis is the only illicit drug known to be cultivated in Australia. Crop size has not decreased in recent years despite vigorous eradication efforts. GOA law enforcement authorities report an increase in the use of sophisticated indoor and hydroponic cannabis growing operations. There is some manufacturing of amphetamine and methamphetamine as well as small quantities of synthetic heroin known as "homebake."

**Drug flow/transit.** According to DEA reporting, Australia continues to be an attractive target for South American cocaine trafficking organizations and serves as a transit point for narcotics destined for the Asian market.

#### **IV. US Policy Initiatives and Programs:**

**US Policy Initiatives.** The primary USG goals remain the assessment of US-Australia trafficking trends, and assistance in gathering intelligence on drug trafficking groups and their effects on international markets. Cooperation between GOA and USG authorities is excellent, with the exchange of narcotics intelligence proceeding without any difficulty. There have been no problems regarding the extradition of narcotics criminals between the two countries. DEA makes USG counternarcotics training available to GOA law enforcement authorities.

**The Road Ahead.** In general, the US will continue to address transshipment issues with the GOA, particularly those relating to trafficking trends between the US and Australia. The USG will undertake efforts to assist the GOA in dealing with the increasing problem of cocaine traffic.

## BURMA

### I. Summary

Burma remains the world's largest producer of illicit opium and heroin, and the Government of Burma continues to treat counternarcotics efforts as a matter of secondary importance. The USG estimated 1994 potential opium production at 2,030 metric tons from 146,600 hectares of illicit poppy cultivation. Opium production fell by 21 percent due principally to poor weather. There were some modest signs of greater government efforts in counternarcotics. One of the results of a Burmese Army campaign against the Shan United Army (SUA) of Khun Sa was to restrict the opium supply and drug trafficking routes of the SUA. The GOB has also begun to show signs of willingness to cooperate in counternarcotics efforts and has agreed to facilitate an opium yield survey in 1995. Domestic enforcement efforts have also show some marginal improvement with regional task forces under the Burmese police becoming more active in drug enforcement. These efforts however, fall far short of what is required to address seriously the drug problem in Burma.

The government's ability to suppress Burma's opium and heroin trade is severely limited by lack of access to and control over the areas in which most opium is grown and heroin processed. This is to some extent a situation the government itself has created. Well-equipped ethnic armies sheltered in remote mountainous regions have been permitted wide-ranging, local autonomy in exchange for halting their active insurgencies against Rangoon. At the same time opium poppy cultivation has soared in the base areas of the insurgent groups, especially in the Wa hills, despite nominal commitments by insurgents and the government alike that efforts would be made to reduce opium growing.

### II. Status of Country

Since 1989, Burma has become the world's largest producer of opium and heroin. Drug trafficking armies protected in ethnic enclaves at the periphery of central government control are the main forces behind the massive expansion in the Burmese drug trade. These armies, comprised mainly of ethnic minorities, are controlled by ethnically Chinese or Sino-Burmese drug traffickers who use their forces to protect heroin refineries and drug caravans. Through the political control exercised by these large, standing drug armies, traffickers are able to oversee the production of most of Burma's 2,030 metric tons of opium gum. Essential chemicals used for the processing of this gum into heroin are obtained from China, Thailand and India.

### III. Country Actions Against Drugs

Since the ruling State Law and Order Restoration Council (SLORC) signed peace agreements with Burma's largest drug trafficking insurgent groups in 1989, it has espoused a policy that emphasizes economic development in the ethnic areas inhabited by these trafficking armies rather than attempting to take drug enforcement measures in these same areas. Reduction in opium cultivation was supposed to follow economic development.

Unfortunately neither development nor a reduction in opium cultivation has occurred. In areas under SLORC control, the government has expanded drug enforcement operations by the Central Committee for Drug Abuse Control (CCDAC) narcotics task forces. Two new task forces were established in 1994, bringing the total number of such units to 17. There has been no aerial eradication in Burma since the end of a Department of State-funded effort, which ceased when the SLORC assumed power in 1988. The government claims it undertakes some minor manual eradication efforts.

**Policy Initiatives.** In September, the SLORC unveiled its eleven-year "Master Plan for the Development of Border Areas and National Races." This sets as a goal "to eradicate totally the cultivation of poppy plants by establishing economic enterprises." Economic development efforts in the so-called border areas largely remain in the planning stage and there have been no results as yet in the counternarcotics aspect of this initiative.

The government continues to rely on UNDCP and UNDP assistance for limited drug-related development aid in the Shan state. UNDCP, under the umbrella of its two subregional strategies -- Thailand/Burma and China/Burma -- manages a number of pilot crop substitution projects in the eastern Shan state and Wa areas as well as demand reduction and law enforcement projects in a few towns close to the Thai and Chinese borders. New CCDAC task forces in Muse (on the Chinese border) and Tachilek (on the Thai border) established in early 1994 have received modest equipment assistance and training from UNDCP.

**Accomplishments.** During 1994, the Burmese government undertook some efforts to counter the narcotics threat. However, these have had no major impact on the thriving Burmese drug economy. The SLORC has yet to introduce meaningful eradication or drug enforcement measures in the ethnic Wa and Kokang strongholds of the Shan state where the bulk of Burma's drug trade is based. The government is primarily concerned with keeping border area insurgencies quiescent and does not take counternarcotics as a priority in these regions. Burma has modest anti-drug cooperation with neighboring countries. Late in 1994, Burma and Bangladesh formally signed a drug cooperation agreement calling for information sharing and coordination of enforcement activities along the two countries' mutual border. Building on previously established agreements or memoranda of understanding with China, Thailand, India and Laos, the Burmese government held periodic meetings with counternarcotics representatives from these countries in 1994.

By enacting the 1993 Narcotic Drugs and Psychotropic Substances Law, the SLORC formally brought its legal code into compliance with the main provisions of the 1988 UN Convention. The 1993 law contains provisions for attacking drug-related money laundering, the confiscation of drug-related assets, the prosecution of conspiracy cases, the seizure of precursor chemicals and arrests of those trafficking in these chemicals, and the prosecution of major traffickers. Although the legal framework for compliance with the goals and objectives of the 1988 UN Convention exists, the government has not embarked on a program to implement these laws vigorously. Enforcement and legal authorities also lack the expertise and training required to make this legislation effective. The government is now starting to take steps to train appropriate officials in the effective use of the law. UNDCP and the Australian government have assisted in this regard, by funding a study tour for several senior Burmese drug enforcement and

judicial officers to Singapore and Australia to study the implementation of related legal statutes in other countries. In part due to limited assistance and training from DEA and UNDP, Burmese police units are improving their limited capability to arrest traffickers and seize narcotics. For example, five traffickers who had been arrested in connection with a 21 kilogram heroin seizure by the Lashio Central Committee for Drug Abuse Control (CCDAC), were tried and sentenced on November 30 by the Lashio District Court to prison sentences ranging from 25 to 30 years.

Burmese eradication remains so limited it has no impact on the massive opium cultivation. Government reports claim slightly over 1,000 hectares of opium were eradicated manually in 1994, a slight increase over 1993, but still far below 1 percent of estimated total cultivation.

The Burmese government continued to advance cooperation with the UNDCP throughout 1994. In September it approved the implementation of the new UNDCP pilot project in the southern Wa region, which has since started. The government provides some support through in-kind contributions (services and personnel) to ongoing UNDCP crop substitution projects in the Mong Yang and Tachilek townships of the eastern Shan state. The Tachilek project, however, has been slowed and reduced in scope due to fighting in the region between the Burmese army and Khun Sa's forces.

**Law Enforcement Efforts.** In 1994 the Burmese Army (BA) stepped up its military effort against Khun Sa's Shan United Army (SUA). Narcotic control is not a principal objective of the BA's actions against insurgent groups, but the campaign against Khun Sa did have some adverse impact on the heroin trade in the Golden Triangle. In May and June large scale military operations were launched against SUA strongholds in the southern Shan state region near the Thai border. This fighting was ultimately successful in capturing several strategic areas previously under SUA control. Burmese authorities reported casualties of over 200 killed and more than 390 wounded. This military campaign forced the closure of many SUA heroin refineries, disrupted drug caravan movements, and cut off the SUA's southern Shan state headquarters from northern elements that traditionally supply much of the group's opium. In the course of the fighting several large acetic anhydride seizures were made by Burmese army personnel.

The bulk of Burma's drug enforcement effort in areas controlled by the government falls under the domain of the CCDAC, a coordinating and implementing agency comprised of representatives from the police, military, and several ministries with peripheral drug control interests. In 1994, the CCDAC established two additional drug enforcement task forces. The CCDAC's drug enforcement task forces, stationed in major urban areas and at strategic border and road crossings, together with other Burmese drug control entities seized 334 kilograms of heroin between January and October. Also, 2,136 kilograms of opium and 1,191 gallons of acetic anhydride were seized in the same 10 month period.

**Corruption.** Despite widespread rumors, there is no strong evidence that the Burmese government is directly involved in or directly profits from the drug trade. Most of the country's drug production and trafficking is under the control of insurgent armies. The government has no direct control over the activities of these armies, but it has both political and economic leverage with these groups. It has failed to use this leverage on these groups to reduce drug production and trafficking.

While direct government complicity in the drug trade does not appear to be a problem among senior officials, narcotics corruption is a problem among lower level officials. It is widely believed that lower level Burmese officials in the field, particularly in the Shan state, profit from drug trafficking for personal gains. This often takes the form of taking bribes for looking the other way.

**Agreements and Treaties.** Burma is a party to the 1971 UN Convention on Psychotropic Substances, and in 1994 became a party to the 1988 UN Convention. However, the current government has expressed reservations on two of the Convention's articles -- extradition of Burma's nationals to third countries and the use of the International Court of Justice to resolve disputes relating to the Convention (articles 6 and 32, respectively). In 1993 the government enacted a new comprehensive narcotics law which brings Burma's legal framework formally into compliance with the Convention's requirements. The SLORC has continued to refuse to recognize the applicability of an existing US-Burmese extradition treaty, which dates from British colonial times and was accepted as valid by the post-independence government in 1948.

**Cultivation/production.** Burma remains the undisputed leader in world illicit opium output, providing over 50 percent of known global illicit production. Even with a 21 percent decline in net production this year, primarily due to poor weather conditions during the 1993/94 crop season, Burma remained the world's largest producer of illicit opiates. Area under opium cultivation was 146,600 hectares, a decline of 11.6 percent from the 1992/93 growing season (again as a result of poor weather). Net opium production yielded an estimated 2,030 metric tons in 1994, down from 2,575 tons in 1993. The vast bulk of this annual crop, grown in the September-February dry season, is found in the mountainous areas of the Shan plateau, which extends almost the entire length of the Shan state, from the Chinese border to the Thai border. Opium poppy fields average half a hectare in size. Poppy fields are found to a lesser extent in the Kachin, Chin and Kayah states and in the Sagaing Division.

**Drug Flow/transit.** Most of Burma's opium and heroin output leaves the Shan state through unmarked crossings of the porous Chinese and Thai borders. Drug trafficking ethnic groups like the Wa and Kokang control most of this territory along the rugged frontiers with China and northern Thailand. The Burmese government controls major towns at the principal entry points to China and Thailand, but has no presence along much of the border. Increasingly effective Chinese enforcement efforts, however, appear to have persuaded traffickers such as the Kokang and Wa, to send more of their processed heroin to international markets through Thailand, Laos and India rather than through southern China.

Central Burmese transportation arteries linking Lashio and Mandalay with Rangoon appear to be increasingly used by heroin traffickers seeking to export maritime shipments from Rangoon and nearby ports to Singapore, southern Thailand and Malaysia. Trafficking routes leading from northern Burma to the Indian and Bangladeshi borders are used to a lesser extent for moving heroin to western markets but serve as key channels to supply growing addict populations in Bangladesh and eastern India. They also are used for the large-scale import of Indian-produced acetic anhydride into Burma.

**Domestic Programs (Demand Reduction).** Burma's demand reduction efforts are overwhelmed by the growing dimensions of Burma's drug abuse and related AIDS problems. Though government statistics continue to show a relatively small number of registered opium and heroin addicts (those who check in to a government-run treatment facility), outside observers estimate the size of Burma's addict population at 200,000 to 300,000. Government resources devoted to countering this growing domestic problem remain woefully inadequate. The entire country has only six major drug treatment centers with a total of 220 beds, and additional outpatient facilities at 24 smaller centers. The Ministry of Health has the lead responsibility for Burma's drug treatment and rehabilitation efforts, though the Ministries of Education and Information contribute to the government's demand reduction program through preventive education efforts. Since 1974, government treatment centers have registered 14,893 heroin addicts, 34,453 opium addicts and 4,640 persons addicted to other substances. However, a trend noted throughout the 1980s has been the shift from opium to heroin abuse among Burmese drug addicts. According to Burmese government statistics, some 84 percent of new addicts registered in 1993 were addicted to heroin versus only 20 percent in 1983. A very high percentage of intravenous heroin users who have registered with government treatment programs are infected with HIV. In a recent UNDCP-funded survey, a nationwide average of 60 to 70 percent of all IV heroin users tested positive for HIV. In the major heroin using centers of Mandalay and Myitkyina, rates of 84 and 91 percent were noted, respectively. Though NGOs and UN agencies are attempting to help the Burmese government cope with the closely linked social and health crises of heroin abuse and HIV infection, resources remain inadequate.

#### **USG Policy Initiatives and Programs.**

**Policy Initiatives.** The USG suspended bilateral aid to Burma, including funding for major counternarcotics programs, in September 1988 following the Burmese military's violent suppression of Burma's pro-democracy movement. The Burmese government has not replaced previous US-funded drug enforcement programs with its own unilateral efforts. The USG continues to encourage the SLORC to undertake more aggressive drug enforcement and opium eradication measures on its own. The Burmese government has agreed to a second US-Burmese survey of opium growing areas in the Shan state to be conducted in February 1995. Results from the scientific survey will give both governments a more accurate understanding of the magnitude of Burma's opium crop.

**Bilateral Cooperation.** In view of the Burmese government's continuing human rights abuses and failure to institute political reform, the United States has continued to maintain only a restricted level of counternarcotics cooperation with Burma. Current USG cooperation with the SLORC is confined largely to a limited relationship between DEA agents stationed in Rangoon and their Burmese counterparts. Through this liaison relationship, DEA shares information with and provides training to the Burmese police. In early December, DEA trainers conducted a six-day course in basic drug enforcement techniques for Burmese law enforcement personnel. Also, DEA has helped police working under CCDAC auspices to develop and conclude successfully two drug trafficking investigations in 1994. These cases led to the arrest, prosecution, and conviction of several heroin traffickers.

**The Road Ahead.** The future of bilateral cooperation hinges largely on the SLORC's progress on human rights and democratization, as well as improvements in Burma's unilateral drug control efforts. For the time being steps can be taken, consistent with USG policy aims regarding Burma, to provide training and other limited assistance to improve enforcement effectiveness and demand reduction and rehabilitation programs.

BURMA 1995 INCSR

Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>OPIUM</b>						
Harvestable Cultivation	[ha]	146,600	165,800	153,700	160,000	150,100
Eradication*	[ha]	3,345	604	1,215	1,012	39
Cultivation	[ha]	149,945	166,404	154,915	161,012	150,139
Potential Yield	[mt]	2,030	2,575	2,280	2,350	2,255
Loss Factor	[mt]	203.0	257.5	228.0	235.0	225.5
Seized	[mt]	2.27	2.65	2.19	1.51	1.93
Consumed	[mt]	150	150	150	150	150
Exported	[mt]	300	300	300	300	300
<b>HEROIN</b>						
Seized in-country	[mt]	0.347	0.300	0.266	0.183	0.243
Consumed in-country	[mt]	10	4.5	4.5	4.5	4.5
<b>Seizures</b>						
Opium	[mt]	2.265	2.650	2.193	1.512	1.926
Heroin	[mt]	0.347	0.300	0.266	0.183	0.243
Marijuana	[mt]	0.290	0.600	0.292	0.724	0.815
Acetic Anhydride	[gals]	1,191	1,016	1,136		
<b>Other data</b>						
Heroin Labs destroyed		4		2	6	1
Narcotics Arrests		7,134	7,520	6,109	7,357	-
Heroin Users [Thousands]		100	30	30	30	30
Opium Users [Thousands]		120	120	120	120	120

\*Data on eradication, seizures, labs destroyed, and arrests reflect official GOB statistics through November 30, 1994.

With the exception of USG-derived estimates for cultivation (hectarage) and opium yield (tonnage), accurate figures do not exist for Burma.

Note: Opium yield is calculated using a figure of 15 kilograms per hectare.

[ All available opium in any given year is not converted into heroin.  
Undetermined quantities are stockpiled for use and export during subsequent years.]

Available information does not permit a breakdown of various refined products. Figures shown for heroin also include heroin base and morphine base. Government of Burma estimates of opium/heroin usage and number of addicts are questionable and hence not useful for statistical presentation. The figures given here should be considered only rough estimates.

## CAMBODIA

### I. Summary

Cambodia made initial steps to counter potential drug trafficking and money laundering problems during 1994. The Royal Cambodian Government completed a draft of a drug control law in May 1994. It continues to refine the draft and has turned the money laundering sections of the original draft into a separate proposed law. The government has asked for assistance to build up its drug enforcement and financial drug-related enforcement capabilities. Foreign governments, primarily the US and France, have responded with police training expertise and training in combatting money laundering. The government appears to be committed to building an effective legislative basis for drug enforcement and to improving its modest law enforcement capabilities. Accurate statistics about the extent of the drug trafficking problem are unavailable. There is trafficking through Cambodia, but it does not appear to be a major route for Southeast Asian heroin at this time.

### II. Status of Country

Cambodia shares borders with Thailand, Laos and Vietnam. It lies near the major trafficking routes for Southeast Asia heroin. Cambodia has a relatively new government installed after elections in 1993, which still faces an active insurgency by the Khmer Rouge. Laws and legal institutions are still in the process of development. Enforcement agencies are also just in initial stages of operation. Basic enforcement equipment and facilities are inadequate. Cambodia has no drug identification laboratory and enforcement personnel lack basic training in drug control techniques. Banks have proliferated rapidly, but the regime to regulate financial transactions is just being created. Geography and the relative newness of legal, financial, and enforcement institutions combine to make Cambodia a vulnerable target for drug traffickers and money launderers operating in Southeast Asia. There are no good data about the current extent of drug trafficking and money laundering in Cambodia, but anecdotal evidence indicates they are small but growing problems. In 1994 there were a few reports of arrests of traffickers and seizures of heroin. West African trafficking groups may be using Cambodia as a link in heroin smuggling routes. Drug use is not known to be a significant public health problem, but systematic information on drug abuse is not available.

### III. Country Action Against Drugs in 1994

**Policy Initiative/Accomplishments:** Since the elections of 1993 the government has worked to develop a comprehensive drug control strategy. The government of Cambodia recognizes that it is vulnerable to the illegal activities of drug traffickers and money launderers. This recognition can be found in the statements of public officials, including First Prime Minister Prince Norodom Ranariddh and principal members of his cabinet, and is embodied in draft drug control legislation. In 1994, the government completed an initial draft drug control law and actively solicited foreign

expertise and comment on the law. On the basis of comments from the US, the Cambodian government decided to expand provisions regarding money laundering and to propose a separate money laundering statute. Draft drug control legislation commits the government to becoming a party to the 1961 Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances, and the 1988 UN Convention.

**Law Enforcement Efforts:** With assistance from France, the Ministry of the Interior formed a special drug enforcement unit, which was operational in 1994 and made some drug arrests. In December 1994 three Africans were arrested as they prepared to smuggle one kilogram of heroin out of Cambodia. In April a Cambodian national was arrested in an attempt to smuggle five kilograms of heroin into Cambodia from Thailand. Officials from the police, customs, and military were recently given money laundering enforcement training by the US Customs Service and DEA. The government has actively sought foreign assistance to overcome the resource constraints that continue to limit basic enforcement capabilities.

**Corruption:** Corruption among some elements in the military is recognized by government officials as a potential problem, but the comparative strength of the military power base will make it difficult for the government to address. There are credible allegations of narcotics trafficking. Involvement of some leading businessmen with access to the highest levels of government is a known concern. We are not aware of any prosecutions for narcotics-related corruption. There are indications that some high-level military officials and powerful businessmen who give financial support to politicians are involved in heroin smuggling.

**Cultivation/Production:** Cannabis is cultivated in Cambodia, primarily in areas near the Thai border. No survey of the extent of cultivation has yet been done and no good data have been developed on which to base an estimate. There are occasional unsubstantiated rumors of opium cultivation, but no evidence of cultivation has been found to date, nor is there any evidence that heroin labs exist in Cambodia.

**Drug Flow/Transit:** Opium is believed to transit Cambodia from Laos to Thailand. Cannabis grown in Cambodia is believed to enter Thailand. Heroin in small amounts is known to transit Cambodia on its way to Vietnam, Hong Kong, Australia and the US. A comprehensive or detailed picture of trafficking activity is not possible until better information is collected on the drug trade in Cambodia. Current information suggests that the heroin trafficking problem, though limited at this time, is potentially a serious concern due to the vulnerability of Cambodian institutions and the physical proximity of the region to major trafficking routes.

**Demand Reduction:** Government authorities do not believe that domestic opiate use is a major problem. Cannabis use in food preparation is widespread and there is some indication that the smoking of cannabis may be on the increase. One of the greatest problems is abuse of pharmaceutical drugs, which are not regulated in any effective manner. Abusers of licit drugs often inject them, creating a higher HIV/AIDS risk among this group. There are no government demand reduction programs in place in Cambodia.

**Bilateral Cooperation/The Road Ahead:** Currently there is no bilateral US-Cambodian counternarcotics agreement. Bilateral cooperation to date has consisted of training provided by US Customs and DEA; drug identification assistance provided by DEA; and expert assistance provided by the Treasury Department regarding proposed money laundering legislation. US efforts will continue to assist Cambodia in creating comprehensive and effective drug control and money laundering legislation. We will encourage the government of Cambodia to work towards its stated goal of becoming a party to the 1988 UN Convention, the 1961 Single Convention and the 1971 Convention on Psychotropic Substances. Possibilities are being explored to provide modest assistance to Cambodian drug enforcement agencies to facilitate drug identification.

## CHINA

### I. Summary.

The Government of the People's Republic of China (PRC) is committed to combatting narcotics trafficking and use. China is a major transit route for heroin from neighboring Burma, Laos and Vietnam to the US and other overseas markets. Drug addiction, which was effectively stamped out following the founding of the PRC in 1949, is once again on the rise. Thanks to China's expanding economy and increasing openness to the outside world, narcotics consumption within the PRC is growing. In addition, opportunities for investment in China provide greater potential for money laundering.

Narcotics trafficking in Yunnan province, which borders Burma, decreased in the latter part of 1994 due in part to the arrest, conviction, and execution of Kokang leader Yang Maoliang's younger brother Yang Maoxian. Authorities in Yunnan also arrested 30 Chinese who were involved with Yang Maoxian's gang, and, in separate cases, tried and executed several corrupt police narcotics agents. Better surveillance of the Burmese border, improved intelligence work, and better control of precursor chemicals have also contributed to at least a temporary decrease in trafficking in Yunnan. China has met, or is actively seeking to meet, the goals and objectives of the 1988 UN Convention by continuing its efforts to enhance law enforcement measures, public education, and international cooperation. Despite continued official displeasure with a 1993 US court decision blocking the return to China of a Chinese drug trafficker (the "Goldfish Case"), Chinese officials have indicated that they wish to expand bilateral cooperation in the future. There are contacts between the DEA and Chinese counternarcotics authorities, but bilateral enforcement cooperation remains very limited at present.

### II. Status of Country

China's geographic position offers a tempting route to the West for heroin and other opiates from the narcotics-producing countries of the Golden Triangle. As a result, China has become a major drug transit country. Its transport and communication links, which are improving thanks to economic development, facilitate movement of narcotics as well as legitimate goods. Burma remains the source of most heroin transiting China. While the flow of drugs shipped by road from Burma through Yunnan, Guangxi and Guangdong provinces for overseas distribution continues, air and rail routes are used increasingly, which continues the spread, noted in prior reports, of narcotics trafficking and use into the interior provinces. Indications are that US and Asian trafficking networks are expanding their operations onto Chinese soil. Although heroin production in China appears to be limited, China nevertheless produces a modest amount of opium, mostly for domestic consumption. China's fertile investment climate provides potential for money laundering.

Although the official PRC estimate of 250,000 registered drug addicts remains unchanged since 1992, counternarcotics officials believe the actual number is much higher. China's National Narcotics Control Commission is working to arrive at a more accurate figure for the number of drug addicts in China. Most drug addicts are teenagers. Drugs used range from opium to refined heroin and synthetic painkillers. Crimes resulting from drug addiction continues to rise. Addiction is highest in Yunnan province, which borders Burma, but is also rising in Guangdong, Guangxi, Guizhou, Gansu, Shanxi, and Sichuan provinces. The number of AIDS and HIV positive cases has increased, particularly in Yunnan province. According to official PRC estimates, seventy-five percent of AIDS cases are due to intravenous heroin injection.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** China's narcotics control program indicates that the PRC has met, or is actively seeking to meet, the goals and objectives of the 1988 UN Convention. The National Narcotics Control Commission (NNCC) directs the PRC's counternarcotics efforts. The NNCC oversees 16 government ministries and agencies, including Public Security, Health, Customs, Foreign Affairs and Foreign Trade, and the Drug Administration Bureau (which is responsible for the production of medicines), and directs policy, enforcement, research and international cooperation. The NNCC's responsibilities have expanded to include demand reduction, public awareness, and community outreach and prevention programs.

China is involved in a UN Drug Control Program (UNDCP) sponsored subregional drug eradication project with Laos, Burma, and Thailand.

**Accomplishments.** According to official PRC figures, Chinese authorities seized 1.324 metric tons of opium and 3.172 metric tons of heroin during the first nine months of 1994. During the first half of 1994, there were 22,350 total drug criminal investigations, which included 1,926 opium smuggling cases, 12,929 heroin smuggling cases, 5 methamphetamine cases, and 92 cases of trafficking in precursor chemicals. Figures for the entire year are not yet available. However, PRC officials project figures for 1994 will show no increase in trafficking and seizures over 1993 levels.

**Law Enforcement Efforts.** PRC counternarcotics officials scored a number of major successes in 1994, the most notable of which was the arrest and conviction of drug kingpin Yang Maoxian. Yang Maoxian, the younger brother of Kokang leader Yang Maolian, was arrested, tried and convicted in May and executed in October in Yunnan. Approximately 30 of his Chinese gang members have also been arrested. Shanghai courts recently sentenced 25 persons involved in seven narcotics cases. Seven received the death penalty; five received life imprisonment; and the rest were given fixed terms. Chinese authorities also arrested the son of the leader of the United Wa Party. The Wa is one of the principal opium growing and heroin trafficking groups in Burma. Movement by Chinese enforcement authorities against important Kokang and Wa figures is a major step forward in PRC efforts to stem the flow of narcotics from Burma into China.

**Corruption.** China's rapid economic growth and liberalization in many areas of daily life have spawned an atmosphere of corruption and greed. The PRC has taken a strong stand against official corruption, and has laws dealing specifically with government officials who are found guilty of the use, manufacture or delivery of narcotics. There is no evidence of high-level official corruption or involvement in narcotics trafficking. However, Yunnan officials acknowledge that policemen have been tried, convicted, and executed this year for taking bribes from traffickers in return for not arresting the traffickers. These are reportedly the first ever cases in Yunnan's anti-drug efforts involving corrupt officials. According to National Narcotics Control Commission officials, the PRC government maintains a list of major foreign drug traffickers and forbids them entry to China.

**Agreements and Treaties.** The PRC is a party to the 1988 UN Convention, as well as the 1961 Single Convention, its 1972 Protocol, and the 1971 Convention on Psychotropic Substances.

**Cultivation/production.** Although heroin production in China appears to be limited, China produces modest amounts of opium, mostly for domestic consumption. A survey of the 1993/4 growing season showed 1,965 hectares of opium poppy cultivation in Yunnan province. Most cultivation was in remote, ethnic minority areas near the Burma and Vietnam borders. Scattered illicit cultivation in other provinces is also suspected. Most opium cultivated in China seems to be for domestic consumption and the authorities have undertaken eradication efforts when illegal cultivation has been detected. PRC officials estimate that most of the illicit opium seized last year in China was smuggled in from Vietnam and Burma, while only about 10 percent originated in China. China is also a major manufacturer of crystal methamphetamine and a supplier of chemicals used for heroin and methamphetamine production.

**Drug Flow/transit.** Most heroin entering China is produced in Burma, near the Chinese border. However, a significant amount of the opium smuggled into China comes from Vietnam. Traffickers usually bring in heroin through Yunnan province. Some shipments move directly across the Sino-Burmese border, and some enter southeastern Yunnan from Vietnam. A portion of the Golden Triangle heroin of uncertain origin flows into Guangxi province from Vietnam. Chinese provincial and central government counternarcotics officials report no increase in transit and trafficking.

National Narcotics Control Commission officials claim that opium smuggling into China from Burma stopped for a period of time following the arrest of Yang Maoxian. In addition to the capture of Yang Maoxian, Yunnan counternarcotics officials credit better surveillance of the Burmese border and improved intelligence work for the slowdown in trafficking.

**Domestic Programs.** The PRC encourages citizens to report on possible cases of drug smuggling and use. In Yunnan, where local efforts at demand reduction are most organized, anti-drug organizations are involved in identifying drug users, providing treatment and trying to prevent addicts from backsliding.

Drug addicts in China are encouraged to register and receive treatment at government treatment centers. Officials claim addicts who have been arrested for criminal acts can receive treatment in re-education facilities. The Ministry of Health has continued to pursue the integration of customary detoxification methods with traditional medicines, acupuncture, and other Chinese-developed treatments, and also has sought assistance from rehabilitation organizations, such as Daytop Village, which provides training funded by the Department of State. Public health officials have established a drug treatment center in Kunming, using Daytop's therapeutic community approach to rehabilitation.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG continues: 1) to seek a closer dialogue with China on the international and regional narcotics situation; 2) to encourage an exchange of information with Chinese counternarcotics officials on international trafficking networks and narcotics-related cases, and demand reduction initiatives in China; 3) to enhance the presence of US law enforcement agencies in China; and 4) to encourage regional cooperation and counternarcotics projects.

**Bilateral cooperation.** Chinese counternarcotics officials have repeatedly expressed a strong interest in expanded international cooperation, including with the US. They have specifically asked for training on interdiction at sea, forensic testing, and countering money laundering. In 1994, US information-sharing efforts started to bear fruit, though there are still problems with the timely passing of information to operational enforcement units. Sometime there is no response to the information provided. A 1993 US district court ruling on the "Goldfish Case," which stated that Chinese drug trafficker Wang Zongxiao could not be returned to China, is now on appeal but the adverse district court ruling has continued to hamper US-Chinese cooperation on narcotics.

In 1994, Chinese officials participated in Department of State-funded seminars, including a two-week training seminar conducted by DEA in Xiamen attended by 46 law enforcement officers from 23 provinces, an international asset forfeiture training seminar in Seoul, and international narcotics management training for Chinese customs training administrators, conducted by US Customs in Guangzhou..

**The Road Ahead.** PRC officials are well aware that China's narcotics problem is growing and that many western nations, including the US, have considerable expertise in combatting this menace.

For those reasons, they are seeking expanded international cooperation and the USG will continue to press for improved cooperation in the future. The USG will continue to provide information on narcotics trafficking and narcotics-related cases to Chinese authorities and will encourage a timely return flow of information. We look to establish a strong presence of US law enforcement agencies in China to promote counternarcotics cooperation.

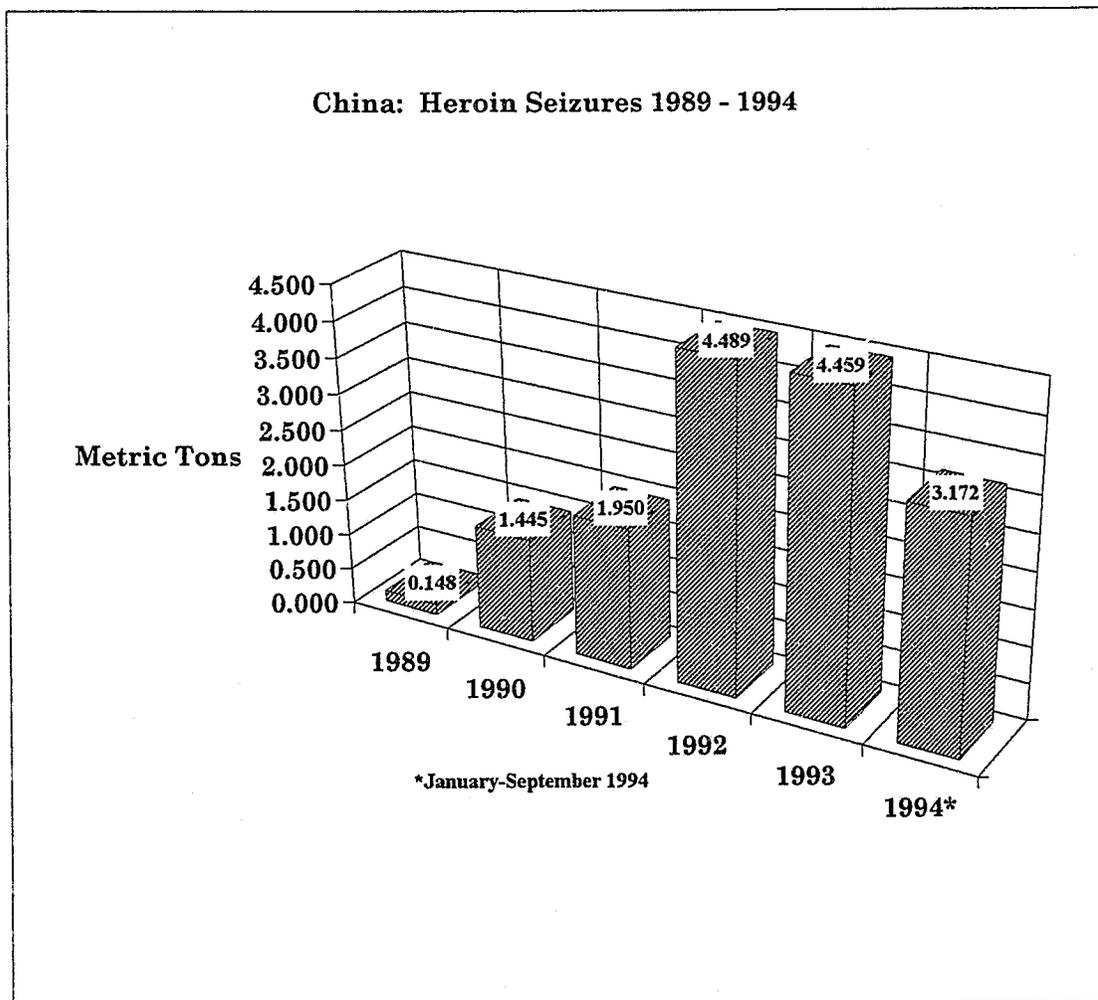
The USG also will amplify training programs and encourage more exchange visits between US and PRC law enforcement officials.

**Statistical Tables**

TABLES for CY	1994*	1993	1992	1991	1990
<b>Opium</b>					
Cultivation (Yunnan Province Only) [ha]	1,965	-	-	-	-
Potential Yield [mt]	25				
<b>Seizures</b>					
Opium [mt]	1.324	3.354	2.500	1.980	0.720
Heroin [mt]	3.172	4.459	4.489	1.950	1.445
Precursor chemicals [mt]	-	90	44.9		
<b>Arrests</b>	31,171	40,034	8,000	8,080	4,500

\*January-September only.

All data are from Chinese government authorities.



## HONG KONG

### I. Summary

Hong Kong remains an important transshipment center for heroin from Southeast Asia, but the volume of the drug passing through Hong Kong may be dropping. The amount of heroin detected transiting Hong Kong for Taiwan, Japan, and the US fell during 1994 and heroin arriving in Hong Kong is increasingly intended for domestic consumption. Hong Kong continues to serve as a major center of money laundering of drug proceeds by local and regional groups trafficking in heroin. Passage of the new Organized and Serious Crimes Ordinance (OSCO) improves the Hong Kong Government's (HKG) ability to prosecute money launderers. Hong Kong is not a party to the 1988 UN Convention, but the territory's counternarcotics efforts effectively comply with most of the goals and objectives of the agreement. The HKG is in the final stages of drafting amendments to the Financial Recovery of Proceeds Act to conform more fully with the Financial Action Task Force recommendations and the 1988 UN Convention.

### II. Status of Country

Given its extensive international shipping and transportation facilities and relative proximity to the heroin production region of the golden triangle, Hong Kong continues to play an important role in the international heroin trade. However, that role appears to be declining as traffickers based in southern China increasingly favor direct shipment from Chinese ports to Taiwan, Japan, the Philippines, and the US. During recent months, most heroin confiscated while entering Hong Kong seems to have been intended for local consumption.

In contrast to the apparent decline of heroin transshipment, the transshipment through Hong Kong of crystal methamphetamine produced in China for sale in Japan, the Philippines, and the US is rising. Hong Kong-based traffickers figure prominently in the financing and supervising of large factories for methamphetamine production in China's Guangdong and Fujian provinces.

As one of the world's most developed financial centers, Hong Kong is an attractive base for money laundering. Regional and local drug traffickers use Hong Kong's extensive banking system and largely unregulated non-banking sector (money changers/lenders and pawn shops) for laundering of drug trafficking proceeds. Hong Kong's free port status contributes to a large flow of essential and precursor chemicals through the territory.

### III. Country Actions Against Drugs

**Policy initiatives.** Although Hong Kong is not a party to the 1988 UN Convention, the territory's laws and counternarcotics efforts substantially comply with the Convention's goals and objectives. Under Hong Kong's Dangerous Drugs Ordinance, persons convicted of trafficking in or manufacture of narcotics face a maximum penalty of life imprisonment

and a hefty fine. The territory's Drug Trafficking Ordinance authorizes the government to trace, freeze, and confiscate drug trafficking proceeds from convicted persons and provides for the prosecution of those who assist with the laundering of drug proceeds. Hong Kong is an active participant in the Financial Action Task Force (FATF). It is also subscribes to the 1971 UN Convention on Psychotropic Substances.

In October 1994 Hong Kong's Legislative Council passed the government's Organized and Serious Crimes Ordinance (OSCO), providing new legal authority and stronger provisions for combatting organized crime activity. OSCO provides Hong Kong law enforcement authorities with several new tools to aid counternarcotics efforts related to organized crime, including the following: establishment of money laundering as a statutory offense; granting of authority to investigative agencies to target the financial dealings associated with organized crime activity; and authority to investigate relevant records (such as bank, real estate, and phone records). Reliance on voluntary rather than mandatory reporting requirements for financial transactions limits the effectiveness of OSCO as a deterrent to money laundering. Hong Kong is not a center for the cultivation or production of narcotics and therefore does not focus on this aspect of illicit drugs.

**Law Enforcement Efforts and Accomplishments.** The narcotics branch of the Royal Hong Kong police and the Hong Kong Customs and Excise Department are highly professional and proactive enforcement organizations. Insofar as the trend of drug trafficking has been to move away from Hong Kong to less regulated mainland Chinese ports, this can be credited largely to the effectiveness of Hong Kong authorities. In the first nine months of 1994, the total weight of heroin seized in Hong Kong rose 57 percent over last year's figure; over 2200 kilograms of marijuana were seized through September. Total arrests for drug possession as of September 1994 (12,689 arrests) equalled arrests for all of 1993.

Cooperation between US and Hong Kong law enforcement agencies is superb. Well-publicized extraditions resulting from bilateral cooperation have also contributed to the overall decline in transshipment through Hong Kong. The new Organized Crime Bill established a Financial Investigation Group, which has been staffed by 38 Royal Hong Kong Police officers. In response to the growing incidence of drug abuse among Hong Kong residents, the HKG recently announced that the Department of Health is increasing the number of pharmacy inspectors to bolster inspection of local drug retail outlets. The HKG also announced plans to establish a special task force to help in the prosecution of offending drug retailers and reported that attention was being given to strengthening community policing efforts.

**Corruption.** The USG is not aware of any narcotics-related corruption among senior government or law enforcement officials in Hong Kong. The HKG does not as a matter of policy encourage or facilitate the illicit production or distribution of controlled substances or the laundering of drug proceeds. Hong Kong has a comprehensive anti-corruption ordinance that is effectively enforced by an independent commission that reports directly to the Governor.

**Agreements and Treaties.** The HKG is currently negotiating agreements with several countries on extradition and mutual legal assistance that will continue in effect after the transition to PRC sovereignty in 1997. The Sino-British Joint Liaison Group (JLG) in 1994 approved a model text for the HKG to use in negotiating bilateral mutual legal assistance agreements, but has not yet approved negotiations with the US. A US-Hong Kong bilateral extradition agreement was negotiated and initialed in 1994 and is currently awaiting JLG approval. In July 1994, the US and Hong Kong renewed until 1996 the existing bilateral narcotics agreement, which facilitates mutual recognition by the two judicial systems of court orders to confiscate and forfeit the proceeds of drug trafficking.

**Demand Reduction.** Despite an extensive government-sponsored drug abuse preventive education and publicity program, drug abuse, particularly heroin use, continues to rise, most notably among Hong Kong youth. The number of reported drug abusers under the age of 21 increased by 147 percent between 1989 and 1993 to over 3,000. The increase in the overall number of reported drug abusers during the same time period was 15%. In response to this growing domestic problem, the HKG recently announced a comprehensive plan for additional anti-drug abuse efforts, including: a request to the Society for the Aid and Rehabilitation of Drug Abusers (SARDA) to establish separate treatment facilities for young drug abusers; expansion of the Government Hospital Authority's treatment services for substance abusers; establishment of a new counselling center specifically aimed at youth; and establishment of two additional residential treatment centers for young opiate abusers.

The Hong Kong Government maintains three major drug treatment and rehabilitation programs: mandatory treatment conducted by the Correctional Services Department, outpatient methadone maintenance under the direction of the Department of Health, and a voluntary inpatient program operated by SARDA. Various volunteer agencies supplement these programs through their own treatment, counselling, and public education programs.

#### **IV. US Policy Initiatives and Programs**

The USG continues to focus on preserving and broadening the outstanding cooperative relationship with Hong Kong authorities, particularly through conclusion of key law enforcement bilateral agreements that will have effect after the transition to PRC sovereignty in 1997. Efforts will continue to conclude and bring into force an extradition treaty. The USG will also continue to urge the HKG to strengthen its ability to deter money laundering by adopting mandatory rather than voluntary financial transaction reporting requirements.

HONG KONG 1995 INCSR

Statistical Tables

TABLES for CY		1994	1993	1992	1991	1990
<b>Seizures /a</b>						
Opium	[mt]	-	0.042	0.029	0.051	0.066
Heroin	[mt]	0.338	0.223	0.563	0.138	0.212
Cocaine	[kg]	0.009	0.042	0.2	7.5	1.0
Cannabis	[mt]	2.262	0.515	3.107	0.173	2.40
Methamphetamine	[mt]	-	-	0.017	0.073	0.006
<b>Arrests</b>		12,689	12,733	6,645	7,813	7,600
<b>Domestic Consumption /b</b>						
Opium	[mt]	0.50	0.50	0.50	0.50	0.50
Heroin	[mt]	9.00	9.00	9.00	9.00	9.00
Cocaine	[mt]	0.05	0.05	0.05	0.05	0.05
Marijuana	[mt]	5.50	5.50	5.50	5.50	5.50
<b>Users (thousands) /c</b>						
Opium		0.5	0.5	0.5	0.5	0.5
Heroin		35.2	35.2	35.2	39.6	37.0
Cocaine		-	-	-	-	0.4
Marijuana		7.5	7.5	7.5	7.5	7.5

(a) Figures for 1994 from the Royal Hong Kong Police Bureau January - September only.

(b) Estimates developed with the assistance of DEA Hong Kong.

(c) Figures extrapolated from total number of assumed users reported in CRDA's 28th Report multiplied by the percentage of individuals with known drug abuse. As the CRDA figures deal only with reported abusers, the number of actual the number of actual abusers is certain to be somewhat higher. CRDA emphasizes that exact figures for the addict population are not available since reporting is on a voluntary basis. Hong Kong authorities note that CDRA statistics for "hard" drugs such as heroin are fairly accurate and readily acknowledge that statistics are less accurate for "soft" drugs such as marijuana.

2/23/95

## INDONESIA

### I. Summary.

Indonesia is not a major narcotics processing country or a narcotics money laundering center, but serves increasingly as a transit point for Southeast Asian heroin, including transshipment to the United States. Marijuana is produced in large quantities primarily for domestic consumption. Except for marijuana, domestic drug abuse does not seem to be a serious problem. Nevertheless, the government of Indonesia (GOI) considers drug abuse and narcotics trafficking to be major long-term threats to social stability. Legislation to strengthen narcotics and money laundering laws has been drafted and awaits adoption by the Indonesian Parliament. US-Indonesian cooperation on narcotics matters continues to be good. The USG provided funding in 1994 for training and equipment procurement. GOI cooperation with counterparts in the US Drug Enforcement Administration (DEA) resulted in an increase in heroin seizures in 1994. Indonesia has signed, but is not yet a party to, the 1988 UN Convention.

### II. Status of Country

The only illicit drug produced in significant amounts in Indonesia is marijuana. There are no accurate estimates on the amount of land committed to marijuana production. The GOI has active programs to destroy or seize marijuana crops. There is no evidence that marijuana from Indonesia enters the US. Indonesia's millions of square miles of territorial sea and archipelagic waters include some of the world's busiest international straits and provide countless opportunities for smuggling of narcotics and other items. Indonesia's maritime authorities lack the resources to adequately interdict narcotics smuggling via sea. While Indonesia is not now a major drug transit country, in 1994, a rise in cases of heroin smuggling indicates that narcotics traffickers from Thailand, Nepal, Burma, and Nigeria are increasingly utilizing Indonesia for transshipment of heroin to the US, in particular to Los Angeles. 1994 saw the largest single heroin seizure ever in Indonesia - 29 kgs - which was larger than the total quantity of heroin seized in 1993. Psychotropic substances are also being seized in Indonesia, but these items are being sold to Indonesians, resident expatriates, and tourists rather than being smuggled to other countries.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The GOI continues to provide support and impetus for the active interdiction efforts of the Indonesian National Police (INP), in particular the narcotics sub-directorate, and Indonesian Customs. The GOI has also supported increased cooperation between its enforcement agencies and DEA. Through joint efforts and positive cooperation with US authorities, the amount of heroin seized in 1994 increased from previous years. The GOI continues to review draft legislation on money laundering, conspiracy and asset forfeiture. However, these laws still await action.

**Accomplishments.** The number of successful cases of narcotics interdiction and the quantity of heroin seized increased in 1994. For example:

-- Police in Medan seized 12.19 kgs of heroin on February 21 which was to be shipped to Los Angeles via Amsterdam. INP believe that two Nigerians resident in Bangkok were the traffickers. Thai and Indian nationals brought the heroin from Thailand to Indonesia.

-- In a case in which DEA officers from Thailand and Singapore worked closely with the INP, 29 kgs of heroin were seized and three individuals arrested in Jakarta in June 1994. This was the largest ever seizure of heroin in Indonesia. This case was successful due to close cooperation between the DEA and INP. The heroin, which came from Thailand, entered Indonesia via fishing boat.

-- In September 1994, a Nepalese citizen arriving from Bangkok was arrested at Soekarno-Hatta International Airport in Jakarta after becoming ill. It was found that he had swallowed approximately one kilogram of heroin in condoms.

-- INP officers arrested two US Air Force personnel in Jakarta for distribution and possession of "ecstasy" (an amphetamine derivative). One individual was court martialed and received a seven-year sentence; the case of the second individual is still pending.

-- In July 1994 fifty-nine tons of marijuana were seized in Aceh, Sumatra, during a week-long operation by the military. According to press reports, this was the largest seizure in five years.

**Law Enforcement Efforts.** Indonesia is not a signatory of the 1971 UN Convention on Psychotropic Substances nor does Indonesia's 1976 narcotics law cover psychotropic drugs. While these drugs are regulated and trafficking in them is illegal, the lack of specific legislation covering these substances as narcotics can complicate Indonesian police efforts to curb the growing problem of psychotropic drug use by Indonesians. INP's narcotics sub-directorate continues to encourage legislative approval for a new draft law on psychotropic substances. There is no evidence that psychotropic drugs are being smuggled to the US from Indonesia.

**Corruption.** There is no evidence that corruption by government officials encouraged or facilitated illicit drug production in 1994. The USG has no evidence of senior government official involvement in the production or distribution of drugs or in money laundering. However, as elsewhere in the region, police, military officers and civil servants earn relatively low salaries, which encourages corruption.

**Agreements and Treaties.** Indonesia has signed, but is not yet a party to, the 1988 UN Convention. It also is not a signatory of the 1971 UN Convention on Psychotropic Substances. Indonesia has extradition agreements with Malaysia, the Philippines, and Thailand. Indonesia's domestic law also allows fugitives to be extradited to other countries to stand trial on drug charges. Indonesia actively participates in international narcotics control efforts and is a member of the UN Commission on Narcotic Drugs.

**Cultivation/Production.** Cannabis is grown on the islands of Sumatra, Java, Bali, Nusa Tenggara, and Sulawesi. However, the majority of production of cannabis occurs in Aceh province in northern Sumatra, where it grows wild and under cultivation. GOI authorities believe that the heroin, opium, morphine and cocaine available in Indonesia are all smuggled into the country. GOI marijuana eradication programs have had only limited impact on domestic production because of the small amount of resources the GOI is able to allocate to drug eradication, the remoteness of jungle locations where cannabis is cultivated, and the practice of planting cannabis among other crops, which makes detection from the air extremely difficult. There is no evidence that opium poppies are cultivated in Indonesia. Police have not found heroin or cocaine laboratories in the country.

**Domestic Programs.** Except for marijuana use, domestic drug abuse is reportedly limited. The majority of the Indonesian population does not have a sizeable disposable income, which limits the demand for narcotics. However, as the size of the Indonesian middle class grows, there is likely to be a corresponding increase in the demand for narcotics. Drug abuse is spreading from upper class youth to middle and lower class youth, though this seems limited to consumption of alcohol, sedatives and marijuana. There continue to be reports of street children and urban poor abusing paint thinner, gasoline, and glue. However, information on substance abuse remains essentially anecdotal. There is no registry of drug abusers, nor statistics of indirect indicators of substance abuse. The Indonesian government believes that substance abuse and narcotics trafficking are major long-term threats to social stability. Public education efforts regarding the risks of substance abuse are coordinated through the Departments of Health, Education and Culture, Religion, and Information. Youth and women's organizations are also active in public education campaigns, and religious organizations are active in prevention, treatment, and rehabilitation programs.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The US continues to urge the GOI to ratify the 1971 and 1988 UN Conventions on illicit drugs and encourages increased cooperation among ASEAN nations to control production and trafficking. The USG also supports modification of existing narcotics laws and adoption of new legislation on money laundering to bring the GOI into compliance with the 1988 UN Convention. The USG conducts training for GOI officials on these legal issues. The US Embassy in Jakarta, the DEA office in Singapore, and the Customs Attache in Singapore coordinate cooperation with the GOI on narcotics matters (the DEA office in Jakarta was closed in 1987.)

**Bilateral Cooperation.** During 1994, the DEA organized an in-country training program for Indonesian police, customs, immigration officers as well as representatives from the Attorney General's office. The US Customs Service organized an in-country narcotics interdiction training program for Indonesian customs officers. The US Coast Guard organized an in-country

maritime safety program for Sea Communication officers (equivalent of the US Coast Guard) which included narcotics interdiction. The officers trained in these programs were from throughout Indonesia's islands. Officials of the INP, Customs and Ministry of Health were sent to the US and to regional programs for training. The tangible benefits of these programs were increased interdiction efforts by both the INP and Customs, which have already resulted in higher seizures.

**The Road Ahead.** In 1995, Indonesia is slated to have a jointly coordinated Customs and DEA in-country enforcement training program for Indonesian Customs and narcotics sub-directorate officers, and a US Coast Guard run port security and safety course. In addition, Indonesian officials will be sent to a forensic chemists' seminar, regional executive leadership program and a regional advanced drug interdiction program.

## JAPAN

### I. Summary

Japan is neither a significant producer nor consumer of class 1 narcotics, but it has a sizeable population of methamphetamine users. Japan is a party to the 1988 UN Convention and has enacted several laws in recent years to bring its legal system into conformity with the treaty. However, room for modernization exists in several areas of enforcement and prosecution, and until this is accomplished Japan is vulnerable to exploitation by traffickers. Bank secrecy laws make Japan attractive for money laundering schemes, but hard data on this activity are unavailable. In 1994 the US and Japan held the first Counter-narcotics Working Group meeting under the Common Agenda for Cooperation in Global Perspective.

### II. Status of Country

Compared with other industrialized countries, Japan's drug problem is very small. However, the Japanese are the largest consumers in Asia of illicit methamphetamines. Japanese organized crime groups have a leading role in the regional trafficking of illicit amphetamines. In 1994, several suspected narcotics traffickers from third countries, including a member of Colombia's Cali cartel, visited Japan. In 1994, Nigerian traffickers were discovered using Osaka and Okinawa as points for transshipment of heroin, indicating that Japan may become more frequently used transit point of narcotics shipments.

In 1992 the Government of Japan (GOJ) enacted legislation to bring its legal system into compliance with the Vienna Convention. The new laws, which have still not been used extensively, are meant to tighten controls on money laundering, organized crime, and precursor chemicals. They also authorize use of controlled deliveries and undercover activities in anti-narcotics operations, but enforcement authorities have used these techniques infrequently..

### III. Country Action Against Drugs in 1994

**Accomplishments.** On November 28 in Tokyo, Japan hosted the first US-Japan Counternarcotics Working Group meeting. Proposals discussed at the meeting included standardizing procedures for maritime enforcement on the high seas; sending US experts to Japan for a maritime enforcement workshop; inviting Japanese prosecutors to the US to discuss money laundering prosecution; establishing a data base for the comparison of financial information; supporting the Colombo Plan's demand reduction programs; and opening a joint dialogue with the World Bank and other international financial institutions on incorporating counternarcotics alternative development priorities in project evaluation. A second working group is planned for the spring of 1995 in Washington.

**Law Enforcement Efforts.** Due largely to the lack of a widespread drug problem, legislation granting law enforcement authorities the kind of powers enjoyed by counterparts in the US are relatively new and remain underutilized. For example, DEA reports that although asset seizure laws are in place, in 1994 the Japanese did not seize any drug-related property and assets. Money laundering laws have been enacted but the Japanese have been slow to use them. Japan's anti-organized crime law is unlikely to be a significant deterrent to drug trafficking since the penalty for violating it is less than one year in jail.

**Drug Flow/Transit.** In February 1994 an alleged member of Colombia's Cali cartel was spotted in Tokyo. In November he was arrested in Brazil in connection with a 510 kilo seizure of cocaine. In 1994 it was reported that Nigerians using Japanese females as couriers were importing heroin into Naha and Osaka, repackaging the drugs and shipping the heroin onward to Europe and the United States. There are continuing reports of Thai and Chinese nationals trying to transship heroin through Japan.

**Demand Reduction Programs.** As Japan continues to categorize its domestic drug problem as being relatively insignificant, prevention programs remain limited.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The GOJ is very willing to cooperate with the US on counternarcotics efforts under the Common Agenda. With this in mind, future dialogue between the US and Japan will focus on pressing the GOJ to share more criminal intelligence, including criminal record information, in a speedy manner and to afford US law enforcement agents the same opportunities to interview witnesses, suspects, and defendants that the US currently extends to Japanese law enforcement authorities. The US also will encourage the GOJ to enforce its asset seizure laws more zealously and to change its bank secrecy laws to permit effective action against money launderers. Efforts will also be made to enhance drug enforcement and maritime enforcement cooperation, including information sharing and the sharing of expertise that would encourage the Japanese to more fully utilize investigative techniques already embodied in current Japanese law.

## LAOS

### I. Summary

Based on USG estimates, Laos is the world's fourth largest producer of illicit opium. Nevertheless, opium poppy cultivation in Laos has been on a declining trend since 1990. USG estimates for the 1994 crop show a decrease, due primarily to poor weather, of approximately 29 percent, from 26,040 hectares in 1993 to 18,520 in 1994. Opium production dropped even more significantly, from about 180 metric tons in 1993 to only 85 metric tons in 1994, a decline of 53 percent.

In the past year, the Lao government has made significant strides in its anti-narcotics efforts through continuation of both bilateral and multilateral programs. The Lao Comprehensive Drug Control Program, an anti-narcotics action plan through the year 2000, was published in 1994. Reduction of opium production, improvement of counternarcotics law enforcement, and reduction of addiction are key elements of the master plan. Laos is not a party to the 1988 UN Convention, but accession to the Convention is one of the recommendations of the Comprehensive Drug Control Program.

Bilateral agreements were signed with the USG which continued crop control and law enforcement projects. An additional crop control project has been approved, which will be implemented by Norwegian Church Aid/UNDCP. The Lao special counternarcotics unit, which was formed as a result of the 1992 bilateral USG-Lao law enforcement project, is now functioning and participated in several heroin seizures in 1994. Lao Customs has worked closely and effectively with the special unit in several significant seizures of illicit drugs and follow-on investigations.

During the past year, Laos has actively participated in and pursued regional cooperation in counternarcotics efforts. Working-level meetings have been held to develop a methodology for implementation of the 1993 Memorandum of Understanding signed with China, Burma, Thailand, and the UNDCP for regional counternarcotics efforts. A regional ministerial-level meeting is now planned for early 1995. In addition, Laos and Vietnam initiated bilateral consultations on counternarcotics issues during 1994.

### II. Status of Country

The Lao Government is addressing the problem of opium production through integrated rural development projects, educational outreach efforts, and counternarcotics law enforcement. It remains highly reliant on foreign assistance for all these efforts. Fiscal, organizational, and infrastructure limitations in the country place a ceiling on the effectiveness of assistance in meeting counternarcotics objectives. Additional assistance will be required for some time to maintain current efforts and to allow new initiatives to begin.

Current bilateral and multilateral projects have had a positive impact on the Lao narcotics situation. Prior to 1990, according to USG estimates, opium cultivation in Houaphan province, the site of the USG-funded rural development project, was approximately 10,000 hectares. By 1993, the cultivated area had been reduced to around 5,000 hectares. 1994 saw that figure further reduced to 4,050 hectares.

### **III. Country Actions Against Drugs**

**Policy Initiatives.** One of the most significant steps taken by the Lao during 1994 was the publication of the Comprehensive Drug Control Plan through the year 2000. The Plan was developed under a UNDCP-funded project and addresses all aspects of the drug problem in Laos, including crop control, law enforcement, legislative development, demand reduction, and facilitation of international cooperation. It will require \$35 million in donor support for full implementation. The Plan sets out specific goals and establishes milestones by which progress can be measured. These include: reduction of opium cultivation to less than 70 metric tons by the year 2000 (an amount believed sufficient only for internal consumption); no further increase in opium addiction between 1996 and 2000; comprehensive drug legislation adopted between 1996 and 2000; and ratification of the UN conventions of 1971 and 1988 between 1996 and 2000. Following formal adoption by the Lao Government of the Plan in early 1994, the Lao National Commission for Drug Control (LCDC) has actively promoted plan goals through presentations to the international community, in meetings with provincial governors, and with visiting officials from various countries.

**Accomplishments.** The Lao Counter Narcotics Unit (CNU) became fully operational during 1994 and has had some success in enforcement operations. These include CNU participation in three seizures of large amounts of heroin at Vientiane's Wattay International Airport and several seizures of small amounts of heroin and other narcotic substances. In September, all 22 members of the unit travelled to Udorn, Thailand, where they participated in a basic training program jointly conducted by the Thai police Narcotics Suppression Bureau (NSB), DEA's Office of International Training, and the Bangkok DEA country office. The intensive training program included joint field exercises with Thai police. Customs officials underwent baggage inspection training provided by the British government.

Progress continued at a slow pace in the Houaphan crop control project. Due to the discovery of unexploded ordnance at the dam construction sites, unexpected delays and added expenses were incurred that resulted in a reduction in the scope of the hydroelectric/irrigation portion of the project from three to two dams. Unexploded ordnance removal has been completed in the two remaining sites and dam construction is now progressing. Despite the delays in the project, the government and residents in the project area remain enthusiastic. The government continues to urge area farmers not to cultivate opium in anticipation of expected project benefits to the region. Local farmers seem to be heeding this call.

Laos hosted the first subregional senior officials meeting for drug control strategy in mid-1994. The subregional group is based on a 1993 Memorandum of Understanding (MOU) among Laos, Thailand, Burma, and China for strengthening cooperation in fighting illicit drugs in the "Golden Triangle" area of Southeast Asia. Participants included representatives from the signatory countries and the UNDCP, which is also a signatory to the MOU. Discussions focused on development of guidelines for cooperation and exchange of information on the drug trade in the area, traffickers, and routes of drug shipment. In October, Laos and Vietnam began bilateral consultations on increasing counternarcotics cooperation.

**Law Enforcement Efforts.** Coordination between the CNU and DEA's Udorn and Bangkok offices has been steadily improving. DEA/Udorn has provided assistance in development of investigative and administrative files for the CNU office and coordinates with the CNU regarding investigative matters on a regular basis. Approximately 90 percent of the USG-funded equipment for the CNU has been delivered and is in use. Motor vehicles for the CNU were delivered in December. Radios have been installed in Vientiane and Bokeo provinces. One more installations was completed in December in Oudomsay province and installation was begun in Savannakhet province. The Lao and USG signed a third law enforcement project agreement in July 1994 for support of this activity.

Now that the CNU is operational, it is beginning to participate in arrests and seizures. Major heroin seizures were made at Vientiane's Wattay International Airport by joint Customs/CNU teams. Four foreign traffickers were arrested and approximately 48 kilograms of heroin were seized (only 0.8 kilograms of heroin were seized by Lao authorities in all of 1993). Statistics provided by the LCDC (which are not comprehensive) and from local press reports indicate 103 arrests in 1994 through November 30 and the seizure of 62 kilograms of heroin, 504 kilograms of opium, and 6,166 kilograms of marijuana. Additionally, recent eradication efforts against marijuana plantations in the south of Laos by provincial forces have resulted in destruction of over 125,182 plants -- an estimated 10.3 metric tons -- being grown in seven areas of Savannakhet province. While there is substantial room for additional Lao law enforcement efforts, adequate progress was made in 1994 toward meeting the goals of the 1988 UN Convention in this area.

**Corruption.** USG counternarcotics sources continue to report instances of military and official collusion in narcotics production and trafficking, but there is no solid evidence of official corruption. It is possible that senior civil and military officials may have knowledge of drug trafficking activities and low level corruption is assumed to exist. Government anti-corruption efforts are limited, making it difficult to ascertain the extent of drug-related corruption. Lao government employees receive low pay and the economy offers limited opportunities for financial reward. In this environment the availability of money from drug traffickers is likely to fuel corruption. There is no clear evidence that the Lao government as a matter of policy encourages or facilitates the illicit production or distribution of drugs or the laundering of drug money.

**Agreements and Treaties.** The US and Lao governments signed a Memorandum of Understanding (MOU) on Counternarcotics Cooperation in 1989 and have signed a project agreement for the Houaphan crop control project in each subsequent year. The GOL signed the first law enforcement project agreement in 1992 and has signed two subsequent agreements since that time. Although the Government of Laos does not have a mutual legal assistance or extradition treaty with the United States, it has agreed informally to cooperate in deporting drug traffickers. The GOL demonstrated its willingness to cooperate in this manner in 1992 when it deported a US narcotics fugitive into USG custody to face criminal charges. Laos is not a party to the 1971 and 1988 UN Conventions, but senior GOL officials have stated that they accept the agreements in principle and are committed to ratification under their master plan as discussed above.

**Cultivation/Production.** Opium is produced in the 10 northern provinces of Laos. It is grown primarily by ethnic minority groups who have cultivated it traditionally. USG estimates for Laos for the 1994 growing season show 85 metric tons of opium on 18,520 hectares of cultivated land. This represents a reduction of 29 percent from area cultivated in 1993 and a reduction of 53 percent in opium production for the same period. The large drop in the 1993/4 growing season was due primarily to poor weather. Development efforts in opium growing regions also appear to have helped lower cultivation.

**Drug Flow/Transit.** Although progress was made in 1994, Laos' ability to control the flow of narcotics within and across its lengthy borders is severely constrained by lack of personnel, resources, expertise, and ready access to many parts of its border areas. Effective control over its borders with Thailand, Burma, China, Vietnam, and Cambodia exists only in the vicinity of major population centers, along principal land routes and at established river crossings. There are indications of an increasing use of Laos as a transit point for major traffickers moving heroin from Burma to Thailand, Cambodia, Vietnam and China. The recent arrests of foreign heroin couriers in Vientiane's international airport are a strong indication of the use of Laos by traffickers attempting to circumvent more effective counternarcotics controls elsewhere in the region.

Intelligence is sparse on narcotics trafficking through Laos but it is believed that diverse routes are used. Some drugs appear to move north through Luang Namtha to China, while Bokeo and Oudomsay provinces on the Thai border serve as entrance/exit transit areas in northwest Laos. There is no estimate of the extent of trafficking through Vietnam but officials of both countries believe it is occurring and are increasingly concerned. Until better intelligence is provided, identification of trafficking patterns and routes in Laos will continue to be sketchy.

**Demand Reduction Programs.** Heroin addiction is not yet a problem in Laos but opium addiction is widespread in the rural areas of the northern portion of the country. It is estimated that there are 42,000 opium addicts who consume approximately 60 metric tons of opium annually. The Lao government has undertaken a public awareness program to emphasize the dangers of narcotics usage and trafficking. With the help of the USG and UNDCP, it has established integrated rural development projects that address opium poppy cultivation and opium use through programs aimed at the development of local agriculture and the provision of health,

education, addict treatment and rehabilitation, and other government services. Two village-based detoxification and rehabilitation programs were conducted during the year in the UNDCP project area of Palavek with notable success. Similar activities are planned in the future for other areas, including the USG-Lao Houaphan project.

#### **IV. US Policy and Initiatives**

**Policy Initiatives.** The USG has two primary counter-narcotics objectives in Laos: to help the GOL eliminate opium poppy cultivation, and to suppress illicit trafficking of narcotics. The Houaphan crop control project has been the primary vehicle for accomplishment of the first objective. The second is being pursued under a series of project agreements to support development of law enforcement and customs capabilities in Laos. Additionally, some support is provided under these project agreements to support the LNCDC, which has overall policy direction for anti-narcotics activities under the office of the Prime Minister.

**Bilateral Cooperation.** The Houaphan project, also known as the Lao-American project, is the main aspect of our bilateral cooperation in drug control. As noted above, it includes development assistance to reduce opium cultivation and social and health care aspects to address the problem of drug rehabilitation. Substantial progress has been made on the major components of the project such as roads, dams, health care facilities, and agricultural development. A bilateral enforcement project, also described above, has been the main support for the Lao special Counter Narcotics Unit since it became operational in 1994.

**The Road Ahead.** The USG will continue its efforts to persuade the Lao government to act more aggressively on narcotics matters and will encourage ongoing efforts in enforcement and rural development. The USG will continue to work with the Lao Government to bring current projects to a successful conclusion. The USG will also encourage other donor countries to support projects proposed under the Lao drug control plan. US Customs will offer an overseas enforcement training program to counternarcotics officers in Laos in 1995.

The USG will also continue to press the Lao government to take strong action against narcotics-related corruption and collusion wherever it may exist.

**Statistical Tables**

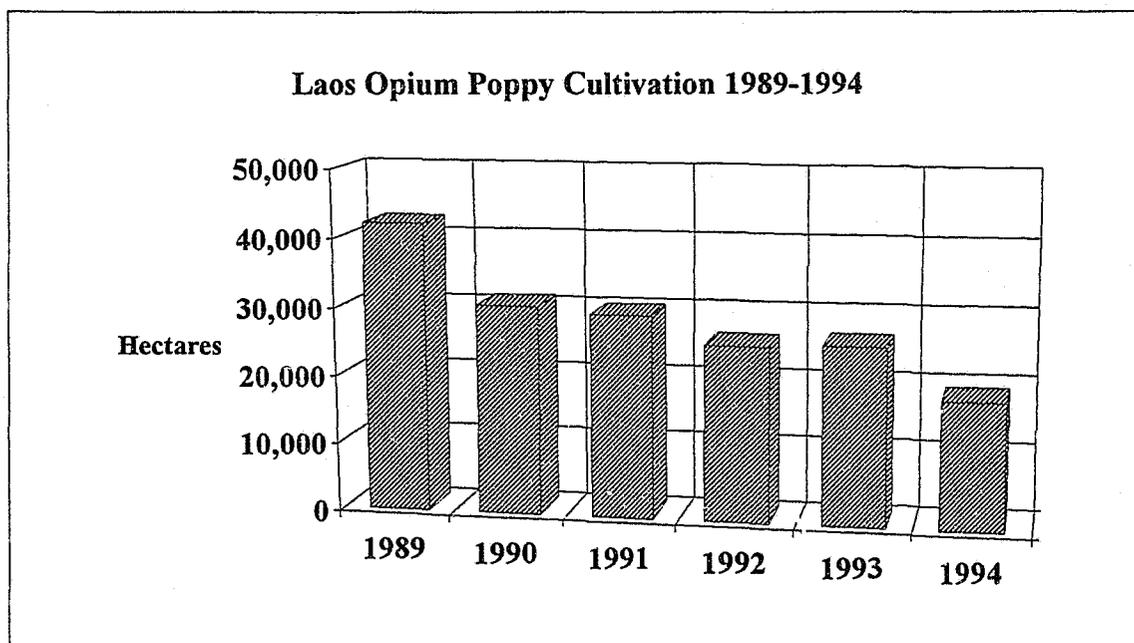
LES* for CY		1994	1993	1992	1991	1990	1989
<b>M</b>							
Potentially harvestable	[ha]	18,520	26,040	25,610	29,625	30,580	42,130
Eradication	[ha]	0	0	0	0	0	0
Cultivation	[ha]	18,520	26,040	25,610	29,625	30,580	42,130
Potential Yield**	[mt]	85	180	230	265	275	380
<b>URES***</b>							
Opium	[mt]	0.054	0.054	0.281	0.165	0.575	-
Cannabis	[mt]	6	0.258	0.295	0.222	0.654	-
Heroin	[mt]	0.062	0.001	0.002	0.015	0.040	-
<b>SUMPTION****</b>							
Opium:	[mt]	80	80	80	80	80	-
Opium Users (est)		40-50,000	40-50,000	40-50,000	40-50,000	40-50,000	-

Narcotics and Law Enforcement statistics have not been kept in the past by the Government of Laos. Although the Counternarcotics Committee is now charged with the responsibility, most of the statistics above were gleaned in the Lao press.

Yield for 1994 uses the USG estimate of 4.6 kg of opium per hectare; 1993 figure was computed at 7 kg of opium per hectare based on a 1993 opium yield survey conducted in cooperation with the USG.; the 1992 estimate is based on an estimate of 9 kg per hectare.

1994 Seizure data January - November.

Consumption figures based upon data provided in UNDCP survey.



## MALAYSIA

### I. Summary

Heroin trafficking and a growing addict population continue to be serious problems in Malaysia. Malaysia remains a transit point for heroin No. 4 from Burma and Thailand to markets in the United States, Australia, and Europe. The Government of Malaysia (GOM) considers the narcotics problem a priority issue. Under the Prime Minister's directive, law enforcement agencies are examining ways to improve the counternarcotics program, which is already a well-funded and well-administered effort.

The USG and GOM continue strong antinarcotics cooperation. Several important steps forward in bilateral cooperation were made this year. The two governments renewed efforts to collect and analyze intelligence on international drug trafficking, and the Drug Enforcement Administration (DEA) and the Royal Malaysian Police (RMP) restored their cooperative relations. Negotiations for a new US-Malaysia extradition treaty are proceeding. Malaysia is a party to the 1988 UN Convention.

### II. Status of Country

Illicit heroin processing, heroin trafficking, and growing addiction continue to be serious problems. No opium poppy is grown in Malaysia, however. Traffickers smuggle heroin base into Malaysia from Thailand and Burma and convert it to heroin No. 3 in local facilities. Most of this production is consumed locally via intravenous injection, and has no apparent impact on US addiction. Heroin no. 4 continues to transit Malaysia en route to the US and other western markets.

Despite severe legal penalties for both drug use and trafficking, drug trafficking remains a major problem. Illicit narcotics generally continue to be available at stable prices for the local addict population.

There is no evidence that Malaysia is a significant center for money laundering now, but the GOM is concerned that the offshore financial center Labuan may be vulnerable to money laundering activities and is looking for ways to head off this threat.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** In response to a worsening narcotics situation, the Prime Minister, who takes personal interest in counternarcotics developments, ordered the GOM's Anti-Narcotics Committee to devise a new plan to battle narcotics use/trafficking. Although the plan is still being drafted, the GOM took several interim initiatives during 1994.

The law enforcement agencies enhanced their efforts to reduce the addict population. Several large scale police operations resulted in hundreds of addicts being taken off the streets to be placed in rehabilitation centers. To complement the all out effort to reduce the number of addicts, the GOM is in

the process of building additional rehabilitation centers. The GOM is also emphasizing an active role for various NGOs working on narcotics issues. NGOs specializing in demand reduction are receiving particularly strong GOM support. As a part of its new plan, the GOM is also focusing on improving international cooperation and coordination. The GOM's work on negotiations for a new extradition treaty with the US and enhanced intelligence gathering are key components of this initiative to improve international cooperation.

**Accomplishments.** Highlighting a growing awareness of the money laundering problem, the GOM in cooperation with an international body hosted a money laundering seminar in Kuala Lumpur. The GOM acknowledged weaknesses in its asset seizure regime and vowed to strengthen it. The GOM edged closer to a new extradition treaty with the US, which is expected to improve law enforcement cooperation.

The 1988 UN Convention has been ratified and has entered into force, but the GOM has not yet completely met all the objectives of the Convention. Malaysia has continued to work on achieving Convention goals, specifically in the areas of: production, distribution, transportation, and sale of narcotics, as well as considering new legislation to combat money laundering.

**Law Enforcement.** Malaysia's drug laws prescribe severe penalties and mandate the death sentence for narcotics trafficking. Possession of relatively small quantities of narcotics drugs creates a legal presumption of intent to traffic. Over 150 traffickers have been executed in recent years under the provision of the Dangerous Drugs Act and over 200 convicted traffickers currently await execution.

The GOM's chief law enforcement body, the Royal Malaysian Police (RMP), continues to emphasize counternarcotics activities. The RMP's battle against traffickers is hampered by a lack of an effective conspiracy law and a limited asset seizure law.

From January to September 1994, the RMP arrested 610 suspected traffickers under the Dangerous Drugs Act. The RMP continued to use the special preventive measures section of the Dangerous Drugs Act, which permits detention without trial of suspected traffickers. Almost 4,000 suspected drug traffickers are currently under detention. During the first nine months of the year, 1,479 were arrested for drug possession and 5,726 were arrested for miscellaneous drug offenses. The Dangerous Drugs Act mandates the death penalty for drug trafficking.

An all out effort by the RMP during the last quarter of 1994 yielded positive results. Hundreds of addicts were rounded up and sent to rehabilitation centers. RMP also concluded several investigations which resulted in arrests of several significant trafficking suspects and seizure of narcotics.

Lack of proper coordination among agencies involved in the narcotics battle has been a problem in the past. Under the Prime Minister's directive, the new counternarcotics plan currently being devised examines structure, centralization, and responsibilities of law enforcement agencies.

**Drug Flow/transit.** Heroin smuggling into Malaysia is believed to be centered in northwest Malaysia, chiefly on the islands of Penang and Langkawi, and across the land border with Thailand. Increased controls along this land border have resulted in more smuggling by sea. There is speculation that narcotics are being shipped directly to Malaysia from Burma, but evidence is scarce. The GOM continues to actively cooperate with Thailand and Singapore on drug transit cases.

**Demand Reduction.** Community rehabilitation centers continue to provide effective treatment, and efforts are being made to develop therapeutic programs in prisons and NGO facilities. As Malaysia's addict population increases, the GOM has plans to build more rehabilitation centers. Approximately 60 percent of the GOM's annual antinarcotics budget is allocated to enforcement, education, and prevention programs.

**Bilateral Narcotics Agreement.** The US and Malaysia signed a memorandum of understanding in 1989 on bilateral narcotics cooperation. Malaysia has generally met the goals and objectives of this MOU.

**Corruption.** Corruption continued to be a concern among law enforcement agencies. During 1994, there were no notable cases of corruption involving narcotics, however. Penang, where Chinese triad gangs control most narcotics trafficking, is still considered to be vulnerable to corruption. Chinese triad gangs are believed to be involved in attempts to engage law enforcement officials in various forms of corruption.

RMP continued to take precautions against potential corruption by a careful selection of officers for its anti-narcotics unit and frequent transfers within the unit. Although some law enforcement officials have been charged with corruption in the past, there has been no evidence of corruption among senior officials.

**Agreements and treaties.** An original signatory of the 1988 UN Convention, Malaysia ratified the pact in May 1993; the Convention entered into force for Malaysia in September 1993. The GOM continues to work on bringing domestic legislation in line with the Convention.

Malaysia is also a party to the 1961 Single Convention on Narcotic Drugs, the 1972 Protocol to the Convention and the 1971 Convention on Psychotropic Substances.

Malaysian and US officials continue to negotiate a new extradition treaty. Discussions have progressed well. A modern extradition treaty will improve the two countries' counternarcotics cooperation. US-Malaysia counternarcotics cooperation operates effectively under the 1989 Memorandum of Understanding between the United States and Malaysia. Subsequent to the 1989 MOU, the two governments have signed letters of agreement concerning specific areas of cooperation.

**Cultivation/production.** Small quantities of marijuana are cultivated in Malaysia. Information on total yields is not available, but government officials and private experts believe yields to be small.

#### IV. US Policy Initiatives and Programs

**Policy Objectives.** US anti-narcotics cooperation with the GOM seeks to: (1) improve GOM capabilities and success in detection and interdiction of heroin and opium from the Golden Triangle transiting Malaysia to North America; (2) increase GOM narcotics law enforcement efficiency through cooperative efforts and appropriate grants for law enforcement training; (3) enhance GOM ability to gather and analyze intelligence; (4) assist the GOM to identify and eliminate narcotics money laundering operations in Malaysia; and (5) enhance cooperation with the GOM in domestic drug prevention and rehabilitation efforts.

**Bilateral Cooperation.** Training played a key role in cooperation between Malaysia and the US in 1994. The State Department's International Narcotics Matters Bureau coordinated and funded key demand reduction and law enforcement training for Malaysia. Other USG agencies including the Drug Enforcement Administration, US Coast Guard, and US Customs also actively participated. Customs an Overseas Enforcement Training Program to the Anti-smuggling Border Unit, as well as a Contraband Enforcement Team training program to Malaysian Customs. Malaysian and US officials renewed efforts to collect and analyze intelligence on international trafficking. The cooperative efforts are expected to greatly improve the law enforcement agencies' ability to battle drug traffickers.

**The Road Ahead.** The USG will build on 1994's important steps forward in bilateral cooperation to improve Malaysia's battle against narcotics use/trafficking. Restoration of DEA-RMP relations is expected to enhance RMP's ability to fight international traffickers. Renewal of the two governments' efforts to collect and analyze intelligence will also be a positive factor. Conclusion and entry into force of a new extradition treaty will make US-Malaysian coordination smoother. The USG will continue to provide important training in enforcement as well as demand reduction areas.

The battle against narcotics use/trafficking will remain a top GOM priority as long as the narcotics situation persists in Malaysia. The GOM will continue to devote considerable resources to try to stem the growth of its addict population.

In the coming year, the USG will assist the GOM address the following key areas of weakness in the GOM's fight against drugs:

- encourage the GOM to adopt a conspiracy law
- encourage the GOM to adopt a more effective money laundering regime; and
- insofar as feasible, provide much-needed training for law enforcement agencies.

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**Statistical Tables**

<b>TABLES for CY</b>		<b>1994**</b>	<b>1993*</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>	<b>1989</b>
<b>Seizures</b>							
Opium	[mt	0.069	0.197	0.27	0.085	0.065	0.730
Heroin	[mt	0.187	0.264	0.106	0.238	0.189	0.297
Marijuana	[mt	0.641	0.869	0.434	0.869	1.129	1.837
<b>Arrests</b>		<b>8,252</b>	<b>9,727</b>	<b>10,718</b>	<b>10,769</b>	<b>9,259</b>	<b>11,614</b>
<b>Labs Destroyed*</b>							
Heroin		na	na	2	3	4	6

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Note: Heroin No.4 is not produced in Malaysia; Heroin No. 3 is converted from base for domestic sale, but quantities are unknown. Components for converting heroin base to heroin no. 3 were seized during two raids in 1992. The equipment, however, was not in operation when seized.

\*The Government of Malaysia provided data for January-December 15, 1993. Several heroin conversion labs were reported seized by the media, but the Royal Malaysia Police did not provide corroborative data.

\*\*1994 data is for January-September.

2/23/95

## NEW ZEALAND

### I. Summary

New Zealand is not a major narcotics trafficking and/or producing country. The Government of New Zealand (GNZ) expends considerable effort and resources to keep narcotics problems in check. The main drug enforcement effort is directed against indigenous cannabis production and consumption. Lysergic acid diethylamide (LSD) consumption continues to rise.

The National Drug Intelligence Bureau (NDIB) is the lead agency in suppression activity, using limited resources to maximum effect. The 1993 Asset Seizure Law is currently being tested in two cases in the appeals court. Draft money-laundering legislation, when enacted, will move the GNZ towards full compliance with the 1988 UN Convention, to which it is a signatory.

### II. Status of Country

Due to its relative isolation and given the current attention paid by the NDIB, police, customs, and health authorities, New Zealand is not likely to become a major producing, trafficking, or money laundering country or a source of precursor chemicals.

Rehabilitation as well as enforcement is stressed and, while drug usage is on the rise, so are seizures.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** There were no new policy initiatives in 1994.

**Bilateral cooperation.** New Zealand has very close bilateral and multilateral cooperation with foreign law enforcement agencies, including those of the US.

**Law Enforcement Efforts.** Narcotics eradication is taken seriously at all levels of the GNZ and law enforcement is vigorous. There are now two cases in the appeals courts testing asset forfeiture legislation. Money laundering legislation is still in the early drafting stage.

**Corruption.** There are no known instances of official corruption in New Zealand involving illicit drugs.

**Agreements and Treaties.** New Zealand has no formal bilateral narcotics agreements with other countries. Existing customs, police, and INTERPOL arrangements, and informal government relationships are used instead. Strict adherence to and interpretation of New Zealand's laws, especially its evidentiary rules, occasionally delay or prevent extradition.

**Cultivation/production.** The main drug crop grown in New Zealand is cannabis. In 1994 the seizure of cannabis plants reached 300,000, a new record. Nonetheless, increasing amounts of cannabis are reaching the streets. With the exception of methamphetamines and LSD, New Zealand is able to produce most of the illegal drugs consumed within the country. Synthetic heroin known as "homebake" is manufactured for local consumption.

Cannabis growers are becoming increasingly sophisticated, complicating already-strained enforcement capabilities. Aerial spraying for narcotics eradication is not used in New Zealand but is being considered.

**Drug flow/transit.** Drug transit traffic does not appear to be a significant problem. From time to time an airport arrest is made of someone carrying heroin in transit to a third country.

**Demand Reduction.** New Zealand health officials are an integral part of NDIB and considerable effort and resources are given to education and rehabilitation. The Drug Abuse Resistance Education Program (DARE) is used throughout New Zealand.

#### **IV. US Policy Initiatives**

USG goals and objectives remain unchanged, i.e., to encourage New Zealand enforcement authorities to enact money-laundering legislation, eliminate drug production and control drug transit, as well as to provide training.

**The Road Ahead.** The USG will assist in the provision of training and will provide information on narcotics trafficking through appropriate channels.

## PHILIPPINES

### I. Summary

Marijuana, hasish, crystal methamphetamine, and heroin are the main illegal drugs affecting the Philippines. The Philippines is a transit point for heroin and crystal methamphetamine destined for points in East Asia, the Pacific, Europe, and the United States. In addition to these drugs, the Philippine authorities have made several small cocaine seizures over the last few years. The lack of money laundering and asset forfeiture laws is a major weakness in the Philippines anti-narcotics law enforcement efforts. In 1994, the Philippines continued to cooperate with the USG in its efforts to reduce marijuana cultivation and interrupt the flow of heroin through the country. Also in 1994 the US and the Government of the Philippines (GOP) negotiated and signed extradition and mutual legal assistance treaties. The Philippines has signed the 1988 UN Convention, but has yet to ratify it.

### II. Status of Country

Ideal growing conditions in remote mountain areas, combined with weak law enforcement and official corruption, make the Philippines a major producer and exporter of marijuana. Most of the marijuana produced in the Philippines is exported to Australia and Japan. Hashish is also produced for export to Europe, Australia, and Japan.

Crystal methamphetamine (shabu) is popular among Filipino drug users, especially in urban areas. Shabu is imported from China, Hong Kong, and Taiwan. However, in 1994 there was increasing evidence that the Philippines is becoming a producer and exporter of crystal methamphetamine, with the product being shipped to Guam, Hawaii, and some East Asian countries.

In July the seizure of five tons of clandestinely-produced methaqualone established the fact that the Philippines has become a base for the illicit manufacture of pharmaceutical products that are also used as street drugs.

Owing to inadequate customs controls, the international airports in Manila and Cebu are first-stop transit points for heroin coming from the Golden Triangle destined for the US, Canada, and Europe. According to DEA, during June and July approximately 150 kilograms of southeast Asian heroin was seized from 16 couriers who arrived in the US via commercial airlines from Manila. Of the 16, more than half had unloaded their heroin shipment at Cebu. In early September, authorities seized ten kilograms of Southeast Asian heroin at the Manila airport from British and Burmese couriers.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The GOP is committed to narcotics eradication, prevention of drug abuse and combatting drug trafficking, but it faces problems resulting from budgetary constraints, inadequate training of personnel, and corrupt officials.

The Dangerous Drugs Board (DDB) is active regionally and internationally in counternarcotics and rehabilitation efforts. The DDB monitors the import and export of precursor chemicals listed in the 1988 UN Convention. The Police Narcotics Command (NARCOM), the law enforcement arm of the DDB, works closely with the US and other foreign governments in counternarcotics operations.

In an effort to combat increasing drug trafficking, the GOP has included drug trafficking as one of the crimes subject to the death penalty under the new law on heinous crimes which took effect on January 1.

**Accomplishments.** The GOP is attempting to control the cultivation of marijuana through eradication campaigns. It is also trying to identify the leaders of major drug trafficking syndicates. The GOP cooperates with US and other international authorities in law enforcement efforts, readily sharing intelligence information.

**Law Enforcement Efforts.** Philippine law enforcement authorities have made some progress, including several successful marijuana eradication campaigns and a few large seizures of heroin, crystal methamphetamine, and methaqualone; however, larger success is hampered by the close ties between drug organizations and some law enforcement or other official personnel and the resources controlled by crime syndicates. Lack of money laundering and asset forfeiture laws also hinders law enforcement efforts.

**Corruption.** Anti-corruption laws exist but are not stringently enforced. As a matter of policy, the GOP does not encourage or facilitate any illegal narcotics activities. During the year, several police officers were arrested in anti-narcotics operations.

The police leadership has also fired several officers for drug possession and/or suspected involvement in drug trafficking. However, in spite of speculation that top police or other government officials were involved in drug trafficking, no arrests or indictments have been made at that level. GOP law enforcement authorities also point to bribery of judges and lawyers as a common method for arrested drug traffickers to gain their freedom.

**Agreements and Treaties.** In 1994, the US and the GOP negotiated and signed extradition and mutual legal assistance treaties. Both governments will seek expeditious ratification so that they can enter into force promptly in 1995. The Philippines has signed, but not yet ratified, the 1988 UN Convention.

**Cultivation/Production.** Marijuana is grown throughout the Philippines, although the major areas of production are in the mountainous regions of Mindanao and northern Luzon. Most of this production appears to go to domestic or regional markets, such as Australia.

**Drug Flow/Transit.** The transit of heroin by couriers occurs in all of the Philippines' international airports. DEA estimates that 600-1000 kilograms of southeast Asian heroin transit the Philippines annually carried by drug couriers using commercial airlines. Marijuana and hashish leave the country by private boats and in shipping containers. Other than the large seizure of methaqualone, there was no notable change from 1993 in the level of drug flow in 1994.

**Demand Reduction.** The government demand reduction effort, under the direction of the DDB and the Department of Education, Culture and Sports (DECS), consists of drug abuse education and activity programs in schools and communities and a network of drug treatment centers throughout the country. The ASEAN training center for preventive drug education is located in the Philippines. In November 1994 the DDB sponsored a high-profile drug abuse prevention and control week, and DECS includes anti-drug lessons in its curriculum. The Philippine Drug Abuse Resistance Education Foundation (Phil-DARE) is expanding its work with school children in Manila and selected provinces.

#### **IV. US Policy Initiatives and Programs.**

**US Policy Initiatives.** The USG's primary objective is to halt the flow of drugs to the US from and through the Philippines. To meet this objective, DEA works closely with Philippine law enforcement officials to improve counternarcotics efforts. The GOP carried out several marijuana eradication campaigns in 1994, with US encouragement and support.

**Bilateral Cooperation.** In September 1994, US and GOP officials signed a letter of agreement under which the US will provide \$50,000 to upgrade the NARCOM narcotics traffickers database and set up an 800 megahertz radio network in Mainla. In February, NARCOM and the US Naval Criminal Investigative Service carried out a US Navy-funded marijuana eradication program in northern Luzon to stem the flow to US military personnel in the Asian region. The US also supported a number of training programs, including an airport interdiction seminar, a Coast Guard boarding officers course, and a series on demand reduction. DEA carries out institution-building programs to improve the GOP's narcotics investigative and interdiction capabilities. US Customs will conduct a narcotics interdiction training program in the Philippines in 1995.

**The Road Ahead.** USG anti-drug efforts in the Philippines aim to improve the GOP capability to reduce the transit of heroin, the production and export of crystal methamphetamine, and the cultivation and export of cannabis. The narcotics traffickers database, radio network, training programs, and extradition and mutual legal assistance treaties all aim to enhance that effort. The US will continue to urge the GOP to become party to the 1988 UN Convention.

## SINGAPORE

### I. Summary

Singapore neither produces nor processes narcotics. Due to its preeminent role in regional shipping and finance, international traffickers continue to use Singapore for storage and transit of narcotics and, it appears, the laundering of drug proceeds as well. Enforcement efforts are directed against local consumption and sale of narcotics and are highly effective. Singapore authorities continue to track traffickers, and are cooperative in sharing intelligence with other countries in the region. Working relations with USG counterparts are excellent. Singapore is not a party to the 1988 UN Convention.

### II. Status of Country

Singapore does not produce or process narcotics and is unlikely to become involved in such activities in the future. Singapore's strict and well publicized enforcement of the death penalty for drug traffickers helps discourage narcotics use. To date, 128 traffickers have been sentenced to death in Singapore, 47 in 1994 alone. The GOS has mustered extensive resources for treatment of drug users; nevertheless, the number of addicts is on the rise. Private rehabilitation programs are also active, and can receive government financing in support of their efforts.

Transshipment of narcotics through Singapore continues to be the greatest deficiency in GOS enforcement efforts. GOS officials are reluctant to stiffen enforcement measures at the risk of slowing trade through Singapore's efficient port. However, GOS officials are very willing to share specific enforcement information with their USG counterparts. In extradition matters, Singapore has long cooperated with the USG, although the USG made no extradition requests in 1994.

### III. Country Actions Against Drugs

**Policy Initiatives:** GOS officials have indicated informally their interest in a so-called "designation agreement" with the USG to enable further information sharing in drug-related money laundering cases. Such agreements are contemplated by Singapore's Forfeiture of Benefits Act of 1992. The GOS has suggested that such an agreement if entered into with the USG could serve as a model for future GOS agreements with other countries.

**Accomplishments.** Singapore does not cultivate or produce narcotics or precursor chemicals. Monitoring of the distribution and sale of chemicals could be improved. The GOS has authority to seize assets, and we anticipate continue outstanding cooperation regarding USG extradition requests. The GOS is interested in concluding a bilateral agreement with the US with respect to information sharing in money laundering cases. Demand reduction efforts are focused on drug rehabilitation, which received increased funding and press attention in 1994.

**Law Enforcement Efforts.** Singapore's Central Narcotics Bureau (CNB) is effective and substantially free from corruption.

**Agreement and Treaties.** Singapore is a member of the Financial Action Task Force (FATF), and adheres to the extradition treaty between the US and the UK signed prior to independence. Singapore is not a signatory to the 1988 UN Convention.

**Drug Flow/Transit.** Drugs enter Singapore by land, air and sea, by courier and automobile, from Burma Thailand and Malaysia. Singapore has not yet been designated a major drug transit country, but it is increasingly becoming a significant transshipment point. To illustrate, there were several cases where No. 4 Heroin was put into containers in Thailand, shipped to Singapore, and then re-labeled "Product of Singapore" and given a new termination bill of lading. Drugs transit Singapore en route to the US, Europe, Australia and other destinations.

**Domestic Programs.** Singapore is expanding its drug rehabilitation programs for addicts. There are more than 7700 patients in drug rehabilitation centers, representing a thirty percent increase since 1990. GOS officials espouse a tougher program for these centers, and plan to cane first-time offenders as a part of their rehabilitation. There are a variety of community-based organizations active in drug rehabilitation, notably the Muslim Joint Anti-drug Abuse Coordination Committee, which seeks to address drug abuse issues in the minority Malay community. Malays account for 55 percent of the population in drug rehabilitation but only 10 percent of the general population.

#### **IV. US Policy Initiatives and Programs.**

The USG will soon respond to informal GOS overtures with respect to an agreement to enable greater information sharing in money laundering cases, and hopes to commence negotiations shortly.

**The Road Ahead:** The USG will press Singapore to become a party to the 1988 UN Convention and obtain cooperation in monitoring distribution and diversion of essential and precursor chemicals. Efforts will continue to enhance enforcement cooperation to combat the transshipment of heroin through Singapore.

## TAIWAN

### I. Summary

Taiwan is being used by international narcotics traffickers as a transshipment point and is playing a larger role in money laundering. Taiwan has a significant heroin abuse problem. The Taiwan authorities have mounted a concerted effort to attack the heroin trafficking problem and seizures of heroin have increased rapidly in the past few years, peaking in 1993 with seizures totalling over one metric ton. Seizures fell slightly in 1994. It is believed that the reduction in seizures was due in part to the success of the drug enforcement campaign of the Taiwan authorities. Law enforcement authorities in Taiwan are beginning to work more closely with the international community in joint efforts to investigate and prosecute narcotics traffickers.

### II. Status

Taiwan is not a producer of heroin. However, it is a consumer of heroin and methamphetamines, both of which are problems in Taiwan society. As a result of aggressive police activities against Taiwan amphetamine labs, indications are that drug labs in mainland China, financed by traffickers from Taiwan and Hong Kong, are taking the place of Taiwan-based labs.

Heroin, while not produced in Taiwan, is transshipped to and through Taiwan. Numerous smugglers have been arrested while attempting to smuggle drugs into Taiwan concealed in a variety of products and material. A few seizures of heroin shipments in the US and Canada have been traced to Taiwan as a transit point.

### III. Action Against Drugs in 1994

**Policy Initiatives.** The Taiwan authorities have undertaken a high profile anti-drug stance which has included: a declaration of war against drugs; harsher jail terms for drug traffickers; island-wide anti-drug programs; and the introduction of legislation in conformity with the 1988 UN Convention in the areas of money laundering, precursor chemical controls and "illegal drug" schedules.

**Accomplishments.** In the Ministry of Justice's Investigation Bureau (MJIB) formed a new drug center to coordinate better its drug efforts. The National Police Administration's (NPA) Criminal Investigation Bureau (CIB) continued to cooperate well with DEA. The number of methamphetamine labs located on Taiwan was reduced and the Ministry of Justice reports a decline in drug prosecutions, which it attributes to a decline in drug-trafficking. A series of new anti-drug legislative measures was introduced. Discussions are underway to explore the possibility of a bilateral counternarcotics agreement between the American Institute in Taiwan (AIT) and its Taiwan counterpart (see Agreements and Treaties, below).

**Law Enforcement Efforts/Corruption.** Both the MJIB and NPA enforce and investigate illegal drug activities in Taiwan. Taiwan's Ministry of Justice has been in the forefront of drug enforcement activities, recommending new legal and law enforcement measures designed to punish severely traffickers and provide medical help for drug users. There were no reported incidents of public corruption involving drugs. There is no evidence of senior Taiwan officials being involved with the illegal drug trade in Taiwan. Taiwan policy and practices do not support illicit production or distribution of drugs.

**Agreements and Treaties.** Taiwan does not have any formal bilateral counternarcotics agreements and, as a non-member of the United Nations, has not been included in any UN-sponsored counternarcotics efforts. The US does not have diplomatic relations with Taiwan. US interests are represented through the American Institute in Taiwan (AIT). In 1993 AIT and its Taiwan counterpart, the Coordination Council for North American Affairs (CCNAA), signed a memorandum of understanding (MOU) that allowed for the testimony of US officials and official of the Taiwan authorities in one another's courts. Since Taiwan is not a member of the UN, its status has precluded ratification of the 1988 UN Convention. The Taiwan authorities, nevertheless, have taken unilateral action to adopt legislation in conformity with the goals and objectives of the Convention.

**Cultivation/Production.** There is no known cultivation of poppy or cannabis in Taiwan. Six methamphetamine labs were raided by Taiwan law enforcement authorities in 1994. Efforts by local law enforcement appear to be causing some illicit methamphetamine production to move to underground labs in mainland China financed in part by Taiwan traffickers.

**Drug flow/Transit.** Heroin flow into Taiwan appears to be predominantly by ship. The heroin is concealed in shipments of various products, including labelled canned goods, machinery or lumber brought into Taiwan. A portion of the heroin seized is for domestic use, but the amounts seized suggest much is also transshipped to other destinations. There were several instances in 1994 of heroin being smuggled by airline passengers. Smuggled amphetamines usually enter the island via fishing boats. Many of these fishing boats carry drugs originating in mainland China.

The transit of drugs through Taiwan is principally confined to heroin, although US information indicates that amphetamines are also sent to Japan and the Philippines either from or via Taiwan. The transshipment of heroin through Taiwan appears to be primarily by container shipment and is difficult to detect due to the large number of containers passing through Taiwan. MJIB estimates that Taiwan customs personnel have the capability of inspecting a maximum of 13 percent of the containers that pass through Taiwan destined for other countries.

**Domestic Programs (Demand Reduction).** The Taiwan authorities estimate there are 30-40,000 heroin addicts in Taiwan. Based upon the amount of heroin seized and Taiwan authorities' statements that heroin seized in Taiwan is for domestic consumption, this figure would appear to be low.

In fact, the authorities have stated that the true number may be much higher. Taiwan readily admits that amphetamine usage is a growing problem among students, farmers and laborers in Taiwan's fast-paced society. Taiwan has a "say no" program in which public service radio, television, posters and public events are used to describe the pitfalls of drug usage. These messages are widely spread throughout Taiwan society. The Taiwan authorities have placed a great deal of emphasis on drug education and rehabilitation of first time offenders.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Efforts will continue to increase further Taiwan's cooperation in counternarcotics enforcement efforts. This can best be accomplished by: a) urging Taiwan to develop information/intelligence exchanges with concerned US law enforcement agencies (and like-minded authorities in other countries); b) encouraging the Taiwan authorities to enact draft legislation that would require the investigation of questionable financial practices that are a cloak for money laundering; and c) having Taiwan tighten requirements in its Nationality Act to prevent fugitives from using Taiwan as a safe haven from prosecution elsewhere.

Efforts will be made to support Taiwan participation in international organizations concerned with counternarcotics efforts accepting membership by non-states. Discussions are planned on the possibility of a bilateral counternarcotics agreement.

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**Statistical Tables**

TABLES for CY	1994	1993	1992	1991
<b>Seizures</b>				
Heroin [mt]	0.67	1.02	0.47	0.32
Amphetamines			0.117	1.6
Arrests	3,659			
Labs destroyed	7			
Users	*			

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\*The Taiwan Minister of Justice has stated that the number of heroin and amphetamine users may be as high as 300,000.

## THAILAND

### I. Summary.

Thailand is a main transit route for the illicit drug production from the Golden Triangle. Due to successful eradication and development efforts Thailand is no longer a significant producer of opium poppy. 1994 cultivation of opium was only 2,110 hectares yielding 17 metric tons of opium.

Thailand remains vulnerable to money laundering due to the relatively low level of sophistication of the Thai banking system and the presence of an active quasi-legal non-bank financial system. Thailand is now in the process of drafting money laundering legislation.

Drug enforcement cooperation is very good and improved even further in 1994. In a precedent-setting cooperative law enforcement operation, the Royal Thai government arrested ten major traffickers under indictment in the US who form part of drug lord Khun Sa's Shan United Army (SUA) infrastructure. The USG's requests for their extradition are now pending in Thai courts. Thailand's commitment to combat drug trafficking and production was also evidenced by new government policies which led the army and security forces to blockade the northern border, hampering the flow of supplies to the SUA and making the transit of drugs from Burma more difficult. Efforts continue to enhance judicial cooperation, and in December the Thai cabinet agreed to permit the courts to consider the extradition of a former MP under indictment in the US on marijuana smuggling charges.

Thailand is a leader in regional drug control programs and shares its expertise through agreements with neighboring countries and the United Nations and through training and cooperative enforcement activities.

Thailand is not a party to the 1988 UN Convention, but is a party to the 1961 Single Convention, including the 1972 Protocol thereto, and the 1971 Convention on Psychotropic Substances.

### II. Status of Country

Although Thailand, along with Laos and Burma, is considered one of the Golden Triangle countries, illicit opium cultivation is no longer a serious problem in Thailand. There were no reports in 1994 of large-scale heroin refining activities and such operations appear to be virtually non-existent in Thailand today. Owing, however, to its relatively advanced economy and highly developed infrastructure, Thailand remains a primary export transit route for much of the illicit drug production from the Golden Triangle. Road building and other development projects undertaken in north Thailand, which have been part of the (largely successful) Royal Thai government strategy to influence northern farmers to reduce or eliminate poppy cultivation, have at the same time increased the ease of access to Thailand's transportation infrastructure by international trafficking organizations, especially those with ties to producers in neighboring Burma.

These same roads have also made it possible for insurgent ethnic groups in Burma (many of which are engaged in the drug trade) to import commodities from Thailand and from the outside world through Thailand. These materials include the required essential chemicals used in heroin processing, staples necessary to sustain the insurgent groups' existence as well as the weapons needed to continue resistance against the Burmese government and to protect their production and trafficking empires. Northeast Thailand grows and exports high-quality marijuana. In recent years additional cultivation has been noted in both the northern and southern sections of the country as well. The level of sophistication of the Thai banking system (in comparison to that of other countries in the region) and the presence of an active quasi-legal non-bank financial system within Thailand, in addition to the absence of effective anti-money laundering legislation, makes Thailand an attractive center for the capitalization of illicit drug enterprises and for the laundering of illicit profits.

The dramatic increase in heroin production in the Golden Triangle is now being used to fill an increasing demand in Thailand where a booming economy creates an ideal marketing structure for traffickers who sell drugs locally. Evidence indicates that after decades of opium use, heroin is replacing opium as the drug of choice among Thailand's hill tribes. Hill tribe heroin addicts include both older people formerly addicted to opium and previously unaddicted youth. Widespread heroin use is further entrenching drug trafficking networks throughout northern Thailand. Intravenous heroin use among southern Thai fishermen has also emerged as a major social problem with up to 90 percent of some crews reportedly abusing the drug.

### **III. Country Actions Against Drugs in 1994:**

**Policy Initiatives.** In addition to continuation of its five-year narcotics control plan (1992 - 1996), the Royal Thai Government undertook two significant policy initiatives designed to enhance the country's stance against drugs. The Thai government, in an attempt to reduce the flow of illicit drugs from Burma and to reduce outside logistical support for Burma-based insurgent groups engaged in trafficking, introduced a new border policy that led to the closure of northern border areas adjacent to insurgent-held sections of Burma. The policy was put into effect in July 1994 by the army and security/police organizations. US mission officials have personally verified the border closure and have gathered first-hand evidence of a reduction in the flow of goods from Thailand into Burma over the major transportation routes in the north. Due to the difficulty of the terrain and the impossibility of completely sealing the border in this remote area, more primitive, secondary pack-and-mule trails connecting the insurgent-held areas with Thailand continue in use. Resorting to the use of these less efficient delivery routes, however, has notably decreased the ability of the Burmese traffickers to resupply themselves. Sensitive to long-standing charges of unofficial relationships between the Thai organizations charged with border enforcement and the insurgent groups, in 1994 the government transferred responsibility for the border closure to military units with fewer traditional ties to the insurgents.

Also in 1994, in response to concerns from both international and domestic sources regarding the effects of the influx of large amounts of illicit drug profits on the economy and on the nation's financial institutions, the Deputy Prime Minister, who chairs the Narcotics Control Board, directed the creation of a committee to draft specific anti-money laundering legislation for presentation to Parliament. The committee, which includes anti-narcotics, finance, and police officials as well as representatives of the financial sector, expects to have a bill ready for submission to the cabinet by spring 1995.

**Accomplishments.** With the exception of anti-money laundering legislation -- work on which is currently being actively undertaken by the drafting committee referred to above -- the Royal Thai Government is in compliance with the 1988 Convention. It has -- and enforces -- laws against the cultivation, production, distribution, sale, transport, and financing of illicit drugs. An asset seizure and conspiracy law passed in 1991 and implemented beginning in mid-1992 produced more results during 1994. The number of cases brought for prosecution under the law increased by 160 percent over 1993 (from 32 to 84 cases opened). The US-Thai mutual legal assistance treaty (MLAT) that entered into force in 1993 has been employed by the USG in several criminal cases, and the Thai have cooperated well in processing USG requests under the extradition treaty. Appropriate legal controls exist on all essential chemicals delineated in the 1988 UN Convention, and various Thai government and non-governmental agencies are involved in demand reduction activities at both the national and local level. Thailand is a current member of the UN Commission on Narcotic Drugs (CND). During 1994 Thailand hosted a visit by a high-level delegation of the Financial Action Task Force (FATF), which preceded the late-1994 FATF Asian conference in Kuala Lumpur. Thailand also co-hosted an International Narcotics Control Board (INCB) regional working group on chemical controls and regularly participated in various regional forums on drug control issues. Bangkok was the site of the UN-sponsored World NGO Forum in December 1994.

**Law Enforcement Efforts.** The Office of the Narcotics Control Board (ONCB) and the Police Narcotics Suppression Bureau (PNSB) are the two organizations that have primary responsibility for the development and implementation of anti-narcotics law enforcement programs. Both organizations have a presence throughout the country, and both cooperate with local police and law enforcement bodies (e.g., Border Patrol Police, provincial police, Customs, etc.) in narcotics cases. In order to foster closer cooperation between these two key organizations, the Thai are in the process of organizing a narcotics task force in northern Thailand. This new organization is designed to eliminate areas of overlapping effort in narcotics crime information processing and to permit faster and more accurate dissemination of investigative information to enforcement units. The USG DEA country office in Bangkok has assisted in the planning and start-up phase of the new unit, which should be operational by the first quarter of 1995. The USG has also provided additional logistical and training support to assist the Thai with building this institution.

The Royal Thai Army (RTA) has clearly recognized the drug trafficking role of some Burma-based insurgent armies, and has taken the lead on a surprisingly effective closure of the northern Thai border with Burma. The RTA has re-organized some units to reduce corruption and to try to increase its effectiveness in narcotics control as well as continuing to supply the majority of the manpower involved in opium poppy eradication. According to ONCB figures, over 900 kilograms of heroin were seized in the period January through October 1994. Drug-related arrest cases totaled over 85,000 during the same period. As of November 30, 1994, cases brought under the narcotics crimes related asset seizure laws involve over \$8 million worth of assets.

**Corruption.** While allegations of narcotics trafficking involvement continue to plague both elected and appointed Thai officials, as a matter of policy the Royal Thai Government does not countenance the cultivation, production, sale, or financing of illicit narcotics. The government's Counter Corruption Office (CCO) is charged with ferreting out corruption in government in all areas, including official involvement in narcotics trafficking. While the Royal Thai Police have a reputation for corruption, the Police Narcotics Suppression Bureau (PNSB) is known to be a very clean outfit, as is ONCB. Twenty-eight years of institution building by the foreign anti-narcotics community -- especially USG organizations -- has contributed to the integrity of these enforcement institutions. USG indictments against twenty highly placed individuals in the Shan United Army (SUA) trafficking organization headed by Khun Sa were produced and provisional arrest warrants delivered to RTG authorities under the extradition treaty this year. The government approved the arrest of these traffickers in an operation that took place in late November. Cooperation throughout this operation was exemplary. Ten of the targeted traffickers, who comprise a large percentage of Khun Sa's senior cadre and infrastructure managers, were provisionally arrested at US request and extradition proceedings are now pending in the Thai courts.

Public revelations during 1994 of drug-related pending USG legal action against the property of a member of Parliament led eventually to that MP's resignation. The publicity surrounding the denial of USG visas to two other prominent politicians produced major media and public interest. To date no charges have been brought against those individuals.

**Agreements and Treaties.** Thailand is working on the passage of anti-money laundering legislation. This is the last item required to permit Thailand's accession to the 1988 UN Convention. An extradition treaty with the US, in force since 1991, has been used regularly by the USG to obtain the extradition of non-Thais. The Thai cabinet has recently paved the way for the Thai courts to consider its use to extradite Thai citizens under indictment in the US. In 1994 the USG filed its first request for extradition of a Thai citizen; the Thai courts are expected to determine the legality of such an extradition in 1995.

**Cultivation/production.** The section of northern Thailand bordering Burma and Laos (the Golden Triangle) is the primary location for opium poppy cultivation. Poppy cultivation in the area has a long history. The Royal Thai Government's crop control efforts have combined eradication of the crop with development efforts designed to offer growers an alternative to poppy cultivation. The government's efforts have resulted in a reduction of the amount of poppy annually grown in the north from a high in the 1970s, estimated to have been as much as 200 metric tons, to 17 metric tons in 1994. The 1994 figure represents a reduction of some 25 metric tons from the 1993 total and is the lowest on record. A well-executed eradication campaign by the Army, ONCB and police, as well as poor weather for opium production throughout the region and the government's expanding development efforts, all combined to produce this low opium harvest during the 1993/94 growing season. The USG estimates opium yield is 8.05 kg/ha. The RTG publishes its own estimate which was 6.75 kg/ha for the 1993/4 growing season.

**Drug Flow/Transit.** The reduction of Thailand's opium poppy crop has resulted in the country becoming a net importer of opiates. Drugs are imported to service the country's domestic addict population, but it is also estimated that more than 50 percent of the heroin from the Golden Triangle that eventually enters the US has transited Thailand. While there has been an increase in the use of alternate routes (e.g., through China), Thailand's well established drug trafficking groups with its contacts in Hong Kong, Taiwan, and China and Thailand's superior transportation infrastructure and international cargo-handling facilities -- both sea and air -- are factors that will cause major traffickers to continue to use Thailand as a principal transit route.

**Domestic Programs (Demand Reduction).** Drug abuse prevention programs are sponsored by various organs of the Royal Thai Government. The Ministry of Education has programs in place for schools and all Thai teachers must take a minimum amount of training in drug abuse prevention. The demand reduction activities of the ONCB include sponsorship of programs designed to reduce drug abuse in specifically-targeted sectors of the population (e.g. fishermen, laborers, long-haul truck drivers, etc.). In addition, both the government and numerous NGOs have undertaken studies of drug abuse patterns in various population sectors.

#### **IV. USG Policy Initiatives and Programs**

**Policy Initiatives.** The USG will continue to assist Thailand to counter the threat of drug trafficking and support actions targeted at the arrest and prosecution of key drug traffickers. In the area of legislation we will support the Royal Thai Government's efforts to complete the requirements for accession to the 1988 UN Convention by passing anti-money laundering legislation. Efforts to expand and enhance enforcement cooperation will continue. The USG will continue to support opium eradication efforts and will also assist Thailand in its efforts to maintain and expand its drug abuse awareness and demand reduction activities. The USG will also encourage the RTG to take a leading role in regional counternarcotics efforts, using its experience and expertise to assist drug control efforts of other nations in the region.

**Bilateral Cooperation.** Thailand's cooperative efforts with the USG date back many years. In addition to the mutual legal assistance treaty (MLAT) and the extradition treaty three Department of State-funded bilateral project agreements between the RTG and the USG were in force during 1994. These projects, described below, were for enforcement assistance, opium eradication support, and demand reduction/drug awareness.

- Narcotics Law Enforcement - Aimed at improving the ability of narcotics law enforcement agencies in Thailand to respond to the threat posed by powerful trafficking organizations, this project agreement provided commodity and training support for ONCB, PNSB, and other Thai law enforcement organizations. Under this agreement, funding was provided to assist the special anti-money laundering legislation drafting committee to study USG and third-country model legislation. Funding was provided to support specific-target law enforcement operations by Thai enforcement agencies such as the operation that led to the arrest of ten SUA traffickers. Additionally, funding has been employed for institutional development (Drug Task Force Concept), to support operations targeting trafficking through airports, drug transit in the south, and West African trafficking groups. Law enforcement assistance also is used to support in-country training programs.

- Opium Crop Control - Funding under this agreement is provided to the Third Royal Thai Army, the ONCB, Border Patrol Police and provincial police to assist the Royal Thai government in surveying, locating, and eradicating the illicit opium poppy crop in north Thailand. Despite a significant decrease in US-provided funding for this activity over the past several years, Thai efforts improved last year resulting in a decrease in the estimated acreage under cultivation.

- Demand Reduction - Funding provided under this agreement has permitted the Thai authorities to enlarge the involvement of NGOs in the national drug abuse awareness effort. Major reductions in USG funding for these programs occurred this year.

Cooperation between the USG and Thailand in a number of areas not specifically covered by formal agreements is close and productive. The US Drug Enforcement Administration (DEA) enjoys a high degree of cooperation from Thai drug enforcement agencies. The US Customs Service and Department of Defense have cooperated with various Thai police and military units on anti-smuggling projects. Other agencies and sections of the USG mission to Thailand cooperate on a variety of law enforcement and security-related activities.

**The Road Ahead.** Building on the achievements of 1994, the USG will continue to press for additional arrests of key drug trafficking suspects in Thailand and will continue its efforts to extradite individuals from Thailand to face drug charges in the US. During 1995, the USG will continue to support Royal Thai Government efforts to pass and implement anti-money laundering legislation allowing Thailand to come into full compliance with the 1988 UN Convention. 1995 will see the operational start-up of the RTG counternarcotics task force in northern Thailand, which, if successful, will

form the model for the creation of additional centers in other sections of the country. The USG will also continue efforts to encourage the RTG to share its counternarcotics experience and expertise with other countries in the region. Thailand, Burma, Cambodia, China, Laos, and Vietnam are parties to agreements on drug control cooperation, and we will encourage the RTG to enhance regional efforts under these agreements. The USG will also support efforts to increase public awareness of the corrosive impact of drug trafficking and drug-related corruption on the growth of democratic institutions.

## Statistical Tables

TABLES for CY		1994*	1993	1992	1991	1990	1989
<b>OPIUM</b>							
Harvestable Cultivation	[ha]	2,110	2,880	2,050	3,000	3,435	4,075
Potential Yield**	[mt]	17	42	24	35	40	50
Seized	[mt]	0.6	2.2	0.6	1.5	0.9	35.2
Consumed	[mt]	53.0	53.0	53.0	53.0	53.0	53.0
<b>HEROIN</b>							
Seized in-country	[mt]	0.9	1.9	0.992	1.5	1.1	0.7
Consumed in-country	[mt]	4.5	4.5	4.5	4.5	4.5	10-15
<b>CANNABIS</b>							
Harvestable Cultivation	[ha]	-	-	-	-	-	-
Eradication	[ha]	-	-	85	59	114	150
<b>Seizures</b>							
Opium	[mt]			0.6	1.5	0.8	2.4
Heroin	[mt]	1.9	1.9	0.992	1.5	1.1	0.7
Cannabis	[mt]			87	54	130	108
<b>Other data</b>							
Heroin Labs destroyed		2	2	0	5	2	8
Narcotics Arrests		85,000	85,000	72,500	75,160	56,054	63,316
Heroin Users		340,000	340,000	334,000	298,600	132,275	unknown
Opium Users		35,000	35,000	35,000	35,000	35,000	

\* 1994 Seizures January - October only.

\*\* Figure based on December 1991-February 1992 Opium Yield Study. Average yield / hectare is 11.5 kg.

Opium in Thailand is generally cultivated, harvested and eradicated from October to February each year. To make the data consistent with seizure and processing data, opium seasons are identified by the calendar year in which they end. For example, the October 1992 to February 1993 opium season is referred to as the 1993 calendar year season. Data on opium cultivation, eradication, and production are based on USG estimates. RTG estimates are often lower on cultivation and higher on eradication.

USG estimates account for "effective" eradication only. In 1993, opium yield was approximately 40 percent higher than in 1992. These data are based on aerial surveillance and technical analysis. Loss is estimated at 10 percent.

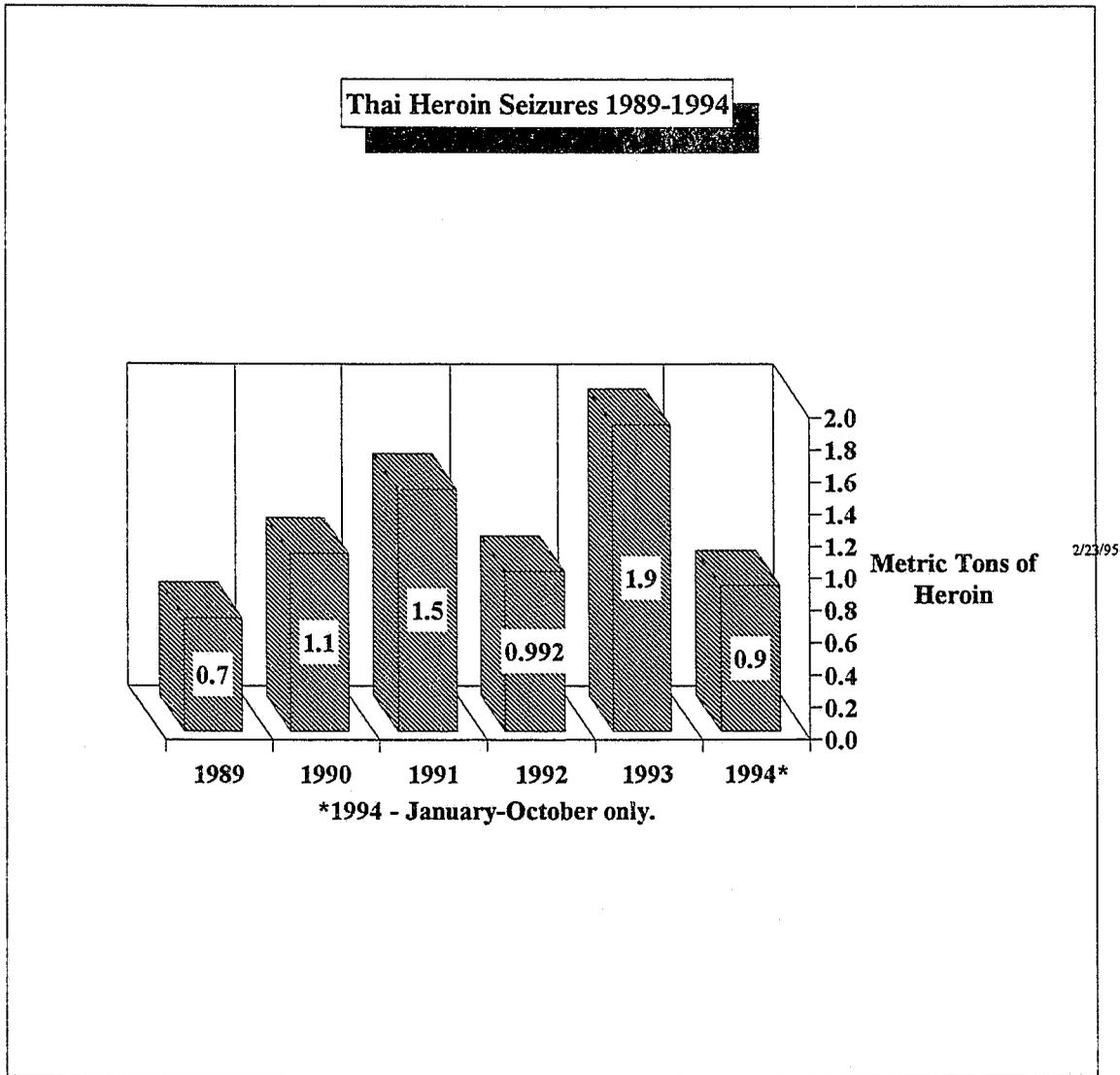
Seizure and arrest information is based on both USG and RTG figures. End-of-year estimates of seizures are projected from figures through the report date or earlier in the year. Consumption and addiction figures are based on a dated ONCB estimate of 35,000 hilltribe opium addicts.

Northern Thailand is part of a fluid regional opium and heroin market that transcends borders with Burma and Laos. Some opium produced in Burma and Laos is consumed or refined in Thailand, and vice versa. Since the best recent data indicate that Thailand is a net importer of opiates, the net amount available for export and refining into heroin is zero. Small-scale heroin labs are set up in Thailand from time to time. Their overall production is no doubt small in comparison to labs in Burma and Laos, but the actual amount cannot be

**Statistical Tables**

determined on the basis of available information.

The first serious attempt to estimate the number of heroin addicts in Thailand was made in 1990, using a capture-recapture model. On the basis of not fully verified data, an estimate of 132,275 addicts was made. A more rigorous study was conducted in 1991 by the US Centers for Disease Control, in conjunction with Thai authorities. The study was limited to Bangkok and produced an estimate of 36,600 heroin addicts. The Thai have not yet revised the 1990 country-wide estimate to take into account the new data. No trend data is available. ONCB estimates consumption at .2 grams per addict per day.



## VIETNAM

### I. Summary

The Socialist Republic of Vietnam has serious opiate abuse problems and is emerging as a significant location for No. 4 heroin trafficking. Illicit opium cultivation exceeds 1000 hectares, but the precise extent of cultivation remains unclear. Estimates have ranged as high as 14,000 hectares during the 1992/3 growing season to 3,700 hectares during the 1993/4 season. The Government of Vietnam is undertaking a serious eradication effort and has pledged to eliminate opium cultivation, which exists primarily in relatively inaccessible regions of the north.

The use of injectable opium is a serious concern in urban areas. Opium addiction also exists in some areas of the countryside, particularly in ethnic minority regions of the north. The Vietnamese Government, with the aid of UNDCP, is formulating a drug control plan to combat both production and consumption in Vietnam. Economic reforms, and the growing overall volume of the Southeast Asian heroin trade have made Vietnam an emerging transit point for heroin destined for the United States and other locations.

Vietnam is not a party to the 1988 UN Convention.

### II. Status of Country

Vietnam has a serious domestic opiate abuse problem with an addict population of 200,000 according to Vietnamese Government sources. Intravenous use of opiates is believed to account for about half of the addict population. The spread of HIV/AIDS is becoming a concern and 80 to 90 percent of the known HIV-infected population is involved in drug use.

Scattered opium cultivation is found throughout the northern provinces of Vietnam. Precise estimates of the extent of cultivation remain unavailable, but Government of Vietnam and UN sources indicate cultivation of several thousand hectares of opium, which is found primarily in mountainous regions inhabited by ethnic minorities.

Government policies promoting economic reform and increased trade have created a relatively open environment that has made Vietnam more vulnerable to international heroin trafficking. Economic growth and a lack of appropriate legislation also will make Vietnam an attractive target for future money laundering operations.

The Vietnamese Government recognizes the existence of significant problems in trafficking, use and production of drugs and has taken initial steps to combat these problems. A comprehensive drug control program is being drafted with the help of UNDCP to address all aspects of the narcotics problem in Vietnam. The government has shown a desire to be cooperative in multilateral and bilateral drug control efforts. Informal cooperation with DEA through INTERPOL has already yielded results. Preliminary informal discussions on drug control have also been held between USG and Vietnamese officials.

Vietnam has expressed a desire to become a party to the UN narcotics conventions of 1961, 1971 and 1988, but needs to resolve certain technical, financial and domestic legislative requirements before it can do so.

### **III. Country Action Against Drugs in 1994**

**Policy Initiatives.** Vietnam recognizes that domestic drug abuse and related public health problems are serious concerns. The Government of Vietnam has also shown a willingness to undertake action against trafficking and drug cultivation. Only in the past few years has there been contact with other governments and international organizations concerning drug control. Contact with UNDCP began in 1991. Vietnam's Management Committee of the National Program on Drug Abuse Control, a coordinating body for drug control that includes membership from a number of ministries, was set up in 1993. This committee is working with UNDCP to draft a counternarcotics master plan for Vietnam. Work on the plan was well-advanced by the end of 1994 and a final draft is expected sometime in the first half of 1995.

In 1994 Vietnam reached a number of milestones in its efforts to participate in regional and international coordination of drug control efforts. An ad hoc mini-Dublin Group had its first meeting in Hanoi on November 9, 1994. Vietnam also began bilateral consultations with Laos on drug control. The Government of Vietnam has expressed interest in the "subregional" drug control program conducted under UNDCP. The program includes China, Laos, Thailand and Burma. Vietnam has indicated an interest in joining the memorandum of understanding among these governments and UNDCP that serves as a framework for area projects.

**Accomplishments.** Vietnam has undertaken opium eradication efforts in its northern provinces against illicit opium cultivation. Government of Vietnam sources claim that cultivation for the 1993/4 growing season was in the range of 3,000 - 4,000 hectares, down from 12,000 to 13,000 hectares in 1992/3. The government has pledged to continue eradication efforts until all illicit cultivation is eliminated.

Government media in Vietnam stated that \$10 million was allocated for projects on drug abuse prevention, HIV/AIDS and related problems in 1994.

**Law Enforcement Efforts.** The People's Police and the Department of Customs share the primary responsibility for drug enforcement. Current drug control laws are based on the 1992 Constitution and the 1985 Penal code as augmented by resolutions passed by the National Assembly. The resulting body of law is vague and open to differing interpretations. All penalties for trafficking are based on quantities of opium involved. Offenses involving drugs other than opium are assessed in terms of equivalent quantities of opium. Law enforcement efforts seem focused primarily on stopping domestic trafficking in opium. In-country sources indicate enforcement efforts are becoming more active and arrests and seizures are rising, but accurate data remain unavailable. Limited manpower, inadequate training and lack of equipment hamper the operations of law enforcement units responsible for drug control. The government has expressed a desire to improve the training and acquire new equipment for drug enforcement and has indicated the assistance of foreign countries in meeting these needs would be welcome.

**Corruption.** Corruption among lower level military and police officials is a problem. Officials in border areas have been reported as taking bribes to facilitate smuggling. General problems with corruption in law enforcement, security, customs and the courts will make drug enforcement efforts more difficult. Some government officials have voiced concern about the extent of corruption in government agencies, but systematic controls to prevent corruption are lacking. Corruption may be a complicating factor in enforcement efforts, but there is no evidence that the government tolerates, condones or profits from drug trafficking activity or drug-related money laundering.

**Agreements and Treaties.** Vietnam is not a party to the 1988 UN Convention, but in coordination with the UNDCP is already drafting legislation in conformity with the goals and objectives of the Convention. Vietnam has no bilateral drug control agreements. In 1994, Vietnamese and Thai authorities agreed to exchange information on narcotics trafficking, and bilateral consultations with Laos on the drug trade were initiated.

**Cultivation/Production.** Precise estimates of opium cultivation and production are not available. Informal estimates indicate that opium cultivation from 1985 to 1990 was in the range of 15,000 to 19,000 hectares. A UNDCP survey of opium cultivation in 1992/3 showed over 14,000 hectares planted. The government claims to have eradicated 10,000 hectares, leaving only 4,000 hectares that could be harvested. Opium cultivation seems to be heaviest in Nghe An, Son La, Lai Chau and Lao Cai provinces, but scattered cultivation can be found throughout the north and northwest.

**Drug Flow/Transit.** Information about drug trafficking through Vietnam remains sketchy. Available reports indicate, however, that Vietnam is increasingly being used as a transit point for Southeast Asian heroin. This has been confirmed by seizures of Golden Triangle heroin on its way to Vietnam from Thailand and by seizures of onward shipments from Vietnam to Taiwan, Hong Kong, and southern China -- all principal transit points for Southeast Asian heroin en route to the United States and other Western markets. Heroin shipped from Vietnam has been seized in Australia. There are also suggestions that heroin may be entering or leaving Vietnam across the northern border with China. Better collection of information on trafficking in Vietnam is needed to develop a clearer picture on the extent and pattern of drug flows through the country.

**Domestic Programs (Demand Reduction).** Current statistics on drug abuse in Vietnam are largely based on guesswork, but the problem is acknowledged by both government sources and foreign experts as a serious concern. Efforts are underway to develop more reliable data. Vietnamese government sources have said there are 200,000 drug addicts nationwide, but other sources believe the total may be higher. Liquid opium, synthetic opiates (Dolargen) and morphine are the major drugs used by addicts. A project has been prepared by UNDCP to increase drug awareness among urban youth -- the principal at-risk population. The Government of Vietnam supports demand reduction efforts and is working closely with UNDCP to develop projects. Drug awareness education is part of a \$10 million government effort to warn the public about the damage to society done by drug abuse, prostitution and other problems.

#### IV. US Policy Initiatives and Programs

**Bilateral Cooperation/The Road Ahead.** There were no bilateral programs with the United States in 1994. There has been informal enforcement cooperation through INTERPOL with DEA. Informal discussions between Vietnamese and USG officials about counternarcotics cooperation have been held during 1994 and continue. The Vietnamese have been receptive to USG suggestions that cooperation in this area would be in our mutual interests. Discussions with Vietnamese officials about possible drug control cooperation will continue in 1995. The USG will support the efforts of the UNDCP to assist Vietnam in drafting a drug control master plan and will also support all efforts by the Government of Vietnam to create legislation in compliance with the goals of the 1988 UN Convention. Informal cooperation with DEA will continue on a case-by-case basis. The USG has also indicated that drug enforcement training and other forms of assistance may be available at some time in the near future.

# EUROPE



## ALBANIA

### I. Summary

After half a century of isolation Europe's poorest country is open to the world, and international narcotraffickers now appear to be using Albania as an east-west transshipment route. The extent of use is unknown as the Government of Albania (GOA) does not keep statistics on abuse or seizures. However, an informed Albanian police official estimates that up to 50 kilos of heroin transit Albania from Macedonia each week. This smuggling activity is the result of traffickers re-routing their cargo to avoid war in former Yugoslavia. Poor border controls, an inexperienced and under-equipped police apparatus, incomplete criminal legislation, and a judicial system in disarray make Albania attractive to drug smugglers. No significant processing of drugs takes place in Albania, although precursor chemicals are reported to transit Albania destined for Macedonia.

### II. Status of Country

Albania's major drug problem is the transit of illicit narcotics -- primarily heroin -- to Western Europe. Opportunities for smuggling are expanding with the numerous ferry connections to Greece and Italy. Albanian criminal networks, supported by extensive connections with Italian and Turkish crime families and with recently established Albanian communities in Italy, Germany and Switzerland, are reported to be heavily involved in the drug trade.

Lax borders and port controls are further fueling drug smuggling opportunities. Large segments of Albania's borders with Greece and Serbia are unpatrolled, resulting in practically unhindered movement of thousands of migrants. Border crossings and ports are manned by poorly paid, inexperienced and unmotivated customs officers. Cocaine trafficking has emerged in Albania, with South American cocaine being shipped directly and through Greece to Albania, and from there to Western Europe, especially Italy.

Cultivation of poppy and cannabis for household consumption is traditional and widely spread in rural areas. There are reports of domestic marijuana being exported to Macedonia and Greece. Data on domestic drug usage is lacking. However, officials have expressed concern that a growing class of newly wealthy business people are creating a domestic demand for drugs.

Money laundering threatens to become a problem as conditions for foreign investment improve, while corruption and poor controls persists. However, the primitive banking sector in Albania limits the possibilities for money laundering operations.

### III. Country Actions Against Drugs in 1994

Several legislative changes in 1994 will support future anti-drug efforts. Law number 7491 was amended to outlaw "the preparation, import, possession or sale of drugs and other narcotic material". It provides for sentences of up to 15 years in prison for those convicted of drug offenses. A provision criminalizing money laundering has been included in a draft penal code awaiting parliamentary approval. The Inter-ministerial Committee on Drug Control established in 1993 has been given responsibility for developing a national drug control strategy.

Albania's counternarcotics accomplishments were minimal in 1994. Modest efforts were hindered not only by lack of training, but also by a lack of even the most basic equipment, including laboratories, communications and surveillance gear, and drug-sniffing dogs. Lack of effective inter-ministerial coordination also results in gross inefficiencies and poor allocation of scarce resources. An inadequate judicial system threatened to undermine those law enforcement efforts that were made.

**Corruption.** GOA officials believe that corruption exists among public officials with regard to narcotics. Albania has no special laws governing this type of corruption and has not focused its law enforcement efforts on countering public corruption. No Albanian officials were arrested for narcotic offenses in 1994.

**Agreements and Treaties.** GOA officials acknowledge that accession to the 1961, 1971 and 1988 UN Conventions is a priority for Albania. In response to a request for legal assistance, a UNDCP expert visited Albania in April 1994 and provided advice on accession procedure and needed changes in current legislation. The 1933 extradition treaty between the US and Albania remains in force.

### IV. US Policy Initiatives and Programs

A DEA representative visited Albania in 1994 to develop contacts with Albanian drug enforcement officials and present a half-day training seminar. Two Interior Ministry officials attended an INL funded regional law enforcement training program.

**The Road Ahead.** Over the next year the USG will encourage the GOA to expand its drug control activities and to establish the necessary legislative and institutional capabilities to support such activities. During 1995, the USG will focus on urging Albania to ratify and implement the UN Conventions. Specific attention will be given to supporting efforts to target money laundering. In addition, the USG will continue to encourage the West European nations most directly affected by drug trafficking from this region to increase assistance to the GOA. The USG will also urge UNDCP antidrug assistance programs in the region and will provide some bilateral assistance. INL will include GOA participants in regional law enforcement and demand reduction training to assist Albania's antidrug campaign.

## AUSTRIA

### I. Summary

Austria is a transit country for heroin and cocaine, primarily destined for Western Europe. During 1993 (1994 figures are not yet available), the number of arrests for drug offenses rose to 10,915, an increase of 39.8 percent over the previous year. Drug deaths fell slightly to 173 in 1994. The Government of Austria (GOA) has not yet ratified the 1988 UN Convention.

Austria is medium-priority money laundering center, although some money laundering occurs. The diversion of precursor and essential chemicals from Austria to illicit drug manufacturers is not considered a problem.

### II. Status of Country

GOA officials believe there are about 10,000 Austrians addicted to drugs. About 2,500 are receiving on methadone treatment. Drug-related deaths were 173 in 1993 compared to 187 in 1992 (most recent statistics).

Austrian officials are concerned about increased drug trafficking from Central Europe and the Newly Independent States of the former Soviet Union. Austria will join the European Union (EU) in 1995 and will be obligated to coordinate its counternarcotics laws and policies with other EU members, including conforming to the EU directives on money laundering and chemical control.

Austrian officials believe some money laundering takes place. Money laundering is a criminal offense in Austria and in the first three months of 1994 Austrian banks reported 86 suspicious financial transactions to GOA authorities. The GOA has a system for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets, however, it does not share seized narcotics assets with other countries.

The diversion of precursor and essential chemicals from Austria is not considered a problem. Austria has no mandatory chemical controls, however, it is drafting laws to control the import and export of precursor and essential chemicals.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** Austria is preparing legislation on the control of additional drugs which Parliament is expected to approve in mid-1995. As noted above, Austria is also working on import and export controls on precursor and essential chemicals.

Austria participates in several international counternarcotics organizations, including the Financial Action Task Force and the UN International Drug Control Program (UNDCP). In 1994 the GOA contributed approximately \$500,000 to UNDCP.

**Accomplishments.** The GOA submitted to Parliament amendments to the penal code to improve asset forfeiture laws and judicial assistance. Parliament is expected to vote on the amendments in 1995.

Austrian customs authorities established a special counternarcotics unit at the Italy-Austria border to stop smuggling along a new drug route from Turkey to Italy and Germany, via Austria.

**Agreements and Treaties.** Austria has signed but not ratified the 1988 UN Convention. It is generally meeting the goals and objectives of the Convention with regard to cultivation, distribution, sale, transport, financing, and law enforcement and transit cooperation. The GOA still requires changes to legislation concerning asset forfeiture and precursor chemical control to fully meet the Convention's goals and objectives.

Austria is a party to the 1961 Single Convention on Narcotics and its 1972 Protocol. The GOA and USG have negotiated and expect to sign a Mutual Legal Assistance Treaty in 1995. Negotiations are continuing on a new extradition treaty which would replace the 1934 treaty currently in force.

**Law Enforcement Efforts.** GOA authorities cooperate closely with USG officials on counternarcotics cases. Drug statistics for 1994 have not yet been released. In 1993 Austrian authorities seized 424 kgs. of cannabis (compared to 107 kgs. in 1992), 105 kgs. of heroin (compared to 78 in 1992), and 84 kgs. of cocaine (compared to 58 kgs. in 1992). Austrian police also arrested 10,915 people on drug-related charges in 1993, compared to 7,805 in 1992.

**Corruption.** Narcotics-related corruption is not a problem in Austria. GOA anti-corruption laws deter public officials from facilitating the illicit production or distribution of drugs, or the laundering of drug money. The USG is not aware of high-level Austrian government officials' involvement in drug-related corruption.

**Cultivation/Production.** The USG is not aware of any illicit drugs produced or cultivated in Austria.

**Drug Flow/Transit.** Austrian officials are concerned about increased drug trafficking from Central Europe and the Newly Independent States of the former Soviet Union (NIS). Cocaine from South America transits Austria, via Central Europe and the NIS, to other markets in Western Europe. Austria is also a transit country for heroin from Southwest Asia.

**Demand Reduction Programs.** GOA's Health and Education Ministries are developing a comprehensive program to educate youths on the dangers of drug use. A drug information kit has been distributed to all students 14 years or older. Nationwide there are about 60 drug advisory centers, 12 of which offer specialized therapies for drug-related problems.

#### IV. US Policy Initiatives

USG and GOA law enforcement cooperation is good. During 1994, Austria extradited to the United States an individual who was wanted on drug trafficking charges. The USG has no counternarcotics programs with the GOA, however, in 1994 Department of State counternarcotics officials met with their GOA counterparts to coordinate anti-drug policy related to smuggling from Austria's eastern neighboring countries.

**The Road Ahead.** The USG will continue to urge Austria to ratify the 1988 UN Convention, and to continue negotiations on an updated extradition treaty. The USG will also encourage Austria's continued support for and participation in international drug control organizations, such as the UNDCP.

## THE BALTICS

### ESTONIA, LATVIA, LITHUANIA

#### I. Summary

The drug trade is expanding in the Baltic States of Estonia, Latvia, and Lithuania. Organized criminal groups from this region are deepening their involvement in the illicit drug trade and establishing closer links with criminal organizations in the West and the former Soviet Republics. The open borders and proximity to markets in Scandinavia have prompted Southwest Asian heroin trafficking networks to expand routes into the Baltic states. Illicit amphetamines produced in Latvia continue to show up in West European markets. Health authorities in all three countries believe that while drug abuse is on the rise, it is still a relatively minor problem and there are few available statistics. While some small amounts of traditional cultivation of opium poppy and cannabis are common to the region, it is recognized as a problem only in Lithuania and there are no available statistics on the extent of such cultivation. Production and use of synthetic drugs is a concern, but there is no evidence of a significant increase in 1994.

Economic and political issues continue to dominate the three governments, limiting high-level attention to the expanding drug problems. There are some nascent signs that the three Baltic nations are increasing their antidrug efforts. Manpower and resource shortages continue to hamper progress towards establishing domestic antidrug strategies, but the biggest drawback is the lack of political commitment for a national counterdrug strategy. In Latvia, for instance there is little effort to interdict illicit drug shipments and most signs of increased smuggling through the region are coming from drug investigations in Western Europe. All three countries began to take some steps in 1994 towards strengthening legal or institutional deterrents to drug trafficking and began to show concern over the potential for laundering money through their vulnerable banking systems. Yet there is little information on the extent of money laundering operations. Of the three countries, only Latvia is a party to the 1988 UN Convention. Estonia and Lithuania are moving towards accession to this convention.

#### ESTONIA

#### II. Status of Country

While domestic substance abuse, cultivation and production are still minimal in Estonia, the criminal problems associated with trafficking and money laundering are growing steadily. Estonia's location between Russia and the Nordic countries and its modern transportation links make it attractive to drug traffickers for smuggling operations. Most of the drugs transiting through or brought to Estonia originate in Russia, Transcaucus, Ukraine, Lithuania, Latvia, Afghanistan and the Middle East.

Various organized crime groups, primarily from Russia and Central Asia, are involved in illicit drug trafficking. Estonian authorities report that drug groups from Afghanistan, Pakistan and Turkey have also been active in their country. The majority of the drugs enter Estonia via railway from Russia and are transhipped out of Estonian ports. The Baltic highway, linking Europe and Scandinavia through the Baltic States, is also used to smuggle drugs through Estonia. According to police statistics, about 50 kilos of narcotics were seized on the Estonian portion of the Baltic highway in 1994.

Estonian police officials regard money laundering as the most serious drug related problem. Hard currency is auctioned and freely exchanged in Estonia and enforcement techniques and experience with money laundering are lacking. There is new legislation which addresses money laundering, but the legislation does not permit the right of access to bank accounts of suspected drug traffickers.

Domestic cultivation of illegal narcotic substances is negligible due to climatic conditions. While there are no reports of trafficking in precursor chemicals, the handling of such chemicals in Estonia is mostly uncontrolled due to absence of relevant legislation.

### **III. Country Action Against Drugs in 1994**

Since regaining independence in 1991 Estonia has devoted considerable resources to rebuilding its national institutions, including the police force. Narcotics problems, thus far, have not received high priority. New criminal and administrative codes, in effect since 1992, lack many basic drug provisions. Expert advice and model laws were made available by UNDCP in 1993/94, but no action to revise existing codes has yet been taken. The police have prepared a strategic narcotics plan, but it has not yet been approved by the Government of Estonia (GOE).

A special unit within the Central Criminal Bureau of the Estonian State Police Board exists to combat organized crime, including drug trafficking. There are also police officers in every prefecture charged with responsibility for drug-related crime. While the Police have carried out some drug operations in cooperation with Customs, there is no interministerial coordination mechanism. During the period 1987 to 1994 the Estonian police recorded 332 drug cases, including 40 in 1994 with 12 convictions. The GOE has a limited drug abuse treatment program and recognizes the need for greater public awareness of the danger from drug abuse.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in Estonia in 1994.

**Agreements and Treaties.** The GOE has not yet become a party to the 1988 UN Convention, the 1961 Single Convention or its 1972 Protocol, or the 1971 UN Convention on Psychotropic Substances. While the GOE has signaled its intention to become a party to these conventions, it made no progress towards this end in 1994. Estonia is the only Baltic state that has joined the agreement among the police forces of the CIS states on coordination of operational drug activities and exchange of drug intelligence information. A Mini-Dublin Group was established in Estonia in September 1994.

## **LATVIA**

### **II. Status of Country**

Latvia's location and transportation network make it attractive for smuggling drugs to Western and Nordic Europe. Road, rail, ship and air transportation lines through Latvia connect the drug producing nations in Asia and the former Soviet Union to their markets in Europe. However, actual reports of cases of international drug trafficking through Latvia in 1994 were limited to anecdotal accounts of heroin transshipments and one controlled purchase of cocaine in early 1994.

Domestic trafficking is marked by seizures of poppy straw and dried and liquid extract, as well as small amounts of hashish and marijuana, all believed to be smuggled into Latvia from Lithuania and Ukraine. Latvian authorities do not consider the limited domestic cultivation of opium poppy, mainly used for cooking and baking purposes, to be a serious drug threat.

GOL authorities believe that illicit amphetamine production continues in Latvia. While there are no quantitative data available, the capacity and organization of the producers does not approach the serious level of the 1992 "Latvbiofarm" cases. There were two reported deaths in 1994 from the use of the locally produced drug "ecstasy". Seizures of the stimulant ephedrine were recorded in 1994. Latvia has a national licit drug control system which includes control measures for import and export of precursor chemicals. While this system is operative, it is apparent that more resources are required if it is to be fully effective.

The growth of Russian and Latvian organized crime elements is having a significant impact on the drug trade. Police estimate that twelve organized crime groups control narcotics trafficking in Latvia. Drug-related crimes are on the increase, and exceed the growth of the general crime rate. In the first half of 1994 drug crimes were already 20 percent over 1993 figures.

Latvia's position as a regional banking center make it particularly attractive to money laundering. The absence of strict banking accountability and weak regulatory and enforcement capabilities are added inducements. Nevertheless, there is little information on the extent of any money laundering operations.

### **III. Country Actions Against Drugs in 1994**

The Government of Latvia (GOL) is a party to the three major UN drug conventions, but has not taken the necessary steps to implement them. The delay can be attributed in part to the governmental crises this past summer, when the government fell and a new government was formed.

The national licit control system, set up in 1993, was strengthened with a new national law and procedures linking related law enforcement and health agencies to the Licit Drug Control Committee established within

the Ministry of Health. In February 1994, the Ministry of Interior formed the Drug Enforcement Bureau (DEB) within the Police Department. The DEB, with a staff of approximately 40, is the chief investigative and operational body in the field of drug enforcement, and was created to coordinate the counternarcotics related activities of the Police, Border Guards, and Customs. The GOL operates substance abuse centers and funds several non-governmental demand reduction programs and treatment centers. Health officials recognize a need for preventive education.

Despite continued reports from Western authorities that illicit drugs seized in Western Europe have transited Latvia, there were no major narcotics seizures in Latvia in 1994.

**Corruption.** The USG is unaware of any cases of drug-related corruption of senior Latvian officials in 1994.

**Agreements and Treaties.** The GOL became a party to the 1988 UN Convention in 1994, and to the 1961 Single Convention, its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances in 1993. The GOL has prepared draft implementing legislation to achieve compliance with the Conventions, but it has not yet been submitted to Parliament.

In 1994 a Mini-Dublin Group was formed in Riga to work with the GOL in its counternarcotics programs. There is a pending request from the GOL for a Mutual Legal Assistance Treaty with the USG.

## **LITHUANIA**

### **II. Status of Country**

Difficult economic circumstances and a marked rise in the overall crime rate have stimulated drug trading and drug abuse in Lithuania. The police note that organized criminal gangs have increased their involvement in the local narcotics business. It is estimated that every tenth criminal gang (the authorities believe there are 200) is to some extent associated with the narcotics trade. Local criminal groups are beginning to establish links with criminal elements, both in the West and in the former Soviet republics, and smuggled drugs are transiting Lithuania in both east-west and north-south directions.

Government of Lithuanian (GOL) officials indicate that for the first time since independence was established they have detected local organized crime interest in cocaine trafficking. Some modest quantities of cocaine are being smuggled through Lithuania, either from Germany to Russia or in the reverse direction. Medical authorities registered one cocaine overdose in 1994.

The most widely used and traded drugs are opiates and their derivatives and marijuana. Marijuana consumption continues to increase markedly -- 27 kilos of the substance were seized through November 1994, compared to a total seizure of 5 kilos for the same period in 1993. The police note that hashish, ephedrine, ephedrone, phentanine and metandrostenolone are also frequently abused.

The regulation of Lithuania's private banking sector is still in a formative stage, making it increasingly vulnerable to money laundering operations. Parliament did pass a commercial banking law and legislation on income and asset declaration for tax purposes in 1994.

### **III. Country Action Against Drugs in 1994**

In early 1994 Lithuania acceded to the 1961 and 1971 UN Drug Conventions. Efforts are underway to draft the required legislation for the implementation of these conventions and to prepare for accession to the 1988 UN Convention. Criminal laws and penal codes have already been amended to address organized crime and law enforcement operations. Issues still to be addressed include money laundering and precursor chemicals.

The GOL intensified its counternarcotics effort in 1994 as evidenced by a growing number of seizures of a variety of illicit drugs. These included 800 kilos of poppy straw (864 kilos in 1993), 25,595 milliliters of opium extract (634.7 ml in 1993), 1,144.6 grams of pure opium (225 grams in 1993), 3,513 grams of ephedrine and 147 milliliters of ephedrone. The GOL's fledgling national health program includes drug demand reduction, rehabilitation and public education.

**Cultivation/Production.** There are reports of increased illicit cultivation of opium poppy and cannabis, particularly in and around the Kaunas region. Law enforcement authorities stepped up their eradication operations in 1994, and for the first time employed aircraft of the Defense and Interior Ministries to spot areas of cultivation. The police destroyed poppy plants in a growing area of some 50,000 square meters. An additional 500 square meters of cannabis plots were destroyed. No information is available on the production, trade and possible diversion of licit narcotic drugs and precursor chemicals to illicit channels.

**Corruption.** There were no reported cases of high-level official corruption associated with the drug trade.

**Agreements and Treaties.** Lithuania is a party to the 1961 Single Convention (but not its 1972 Protocol) and the 1971 UN Convention on Psychotropic Substances. Preparations are underway for accession to the 1988 UN Convention. A Mini-Dublin Group was formed in Vilnius in 1994.

### **IV. US Policy Initiatives and Programs**

The USG continues to maintain a counternarcotics dialogue with each of the Baltic governments focused on identifying existing problems, possible areas for assistance and the need to become a party to and implement the relevant UN Conventions. Participants from the three Baltic countries attended Department of State funded law enforcement, customs and demand reduction training courses.

**The Road Ahead.** The USG will continue to encourage the Baltic States to expand their drug control activities and to establish the necessary legislative and institutional antidrug framework. The USG will also continue to offer bilateral law enforcement training to each of the Baltic nations and encourage increased UNDCP assistance to all three countries.

## BELARUS

### I. Summary

Drug trafficking groups are stepping up efforts to expand smuggling operations through Belarus and domestic drug use is increasing. Belarus has emerged as a transshipment point for drug smuggling operations from Central Asia and the Caucasus to Western Europe. Domestic cultivation of opium poppy and cannabis fuels in-country drug abuse. Possession of drugs for personal use is still legal. There has only been limited progress on enacting a comprehensive antidrug strategy, and efforts to change domestic legislation to promote the implementation of the 1988 UN Convention were stymied by a change in administration and inattention to the issue. However, there are hopeful signs of increased official awareness and attention to the drug problem. Belarus with the support of UNDCP has begun to enhance its law enforcement capability and to improve control measures to combat drug trafficking.

### II. Country Status

Belarus' location between Poland and Russia, combined with a relatively modern transportation system and weak border and customs controls, make it vulnerable to drug smuggling operations. Heroin trafficking organizations often move their cargoes from Afghanistan, Iran and Pakistan, via Russia, through Belarus into Poland and Western Europe. They also smuggle narcotics through other Newly Independent States, including Ukraine, and those in Central Asia, Transcaucasus and Russia. Belarus authorities believe that such operations include opium, marijuana, hashish and, for the first time in 1994, heroin.

Authorities have also noted a dramatic increase in drug-related crime in Belarus. For instance, 777 such crimes were committed in 1992, but 1,401 in 1993.

Drug use is also expanding. GOB authorities calculate that there are approximately 15,000 drug users in Belarus out of a population of 10 million, and predict this number will reach 90,000 by the year 2000. There were 2465 registered drug users/addicts in country in 1993. The most prevalent drug is a home produced opium extract from poppy straw (70%), followed by marijuana and hashish. Use of ephedrine is also increasing. Authorities report that use of heroin and amphetamines from St. Petersburg are also on the rise.

Drug cultivation, including opium poppy and cannabis is illegal in Belarus. Nevertheless, poppy has traditionally been used in cooking and many continue to defy the ban on cultivation. While there is no reliable information on the extent of cultivation, the MVD claims to have discovered more than 5,300 plots of opium poppy and cannabis in 1993, covering more than 19,000 square meters. Also, authorities estimate 6000 square meters of illegal cultivation in the "dead zone" of land contaminated with radiation from Chernobyl.

While there are no reports of drug-related money laundering, GOB authorities indicate that laundering such funds would not be difficult in the country's new banking system.

### III. Country Action Against Drugs in 1994

The GOB made little progress against the escalating drug situation in 1994. Presidential elections and the change of administration hampered many legislative projects in Belarus, including crime and counternarcotics legislation. However, a draft of the new Penal Code which includes a chapter on drug related crimes was approved by the parliament in the first reading. A draft National Anti-crime Program includes proposals on anti-narcotics activities. Redrafting of legislation to criminalize possession and individual consumption is underway. Moreover, the new president proposed the establishment of a fund for drug enforcement financed by sales of confiscated goods.

Moreover, although drug seizures increased in 1994, little effort was made by the key drug law enforcement apparatus the MVD's Criminal Investigation Service (CIS), the MVD border Guards, the State Security Committee (KGB) and Customs Committee to coordinate their activities. Authorities report several record drug seizures including 2 metric tons of hashish enroute to Germany and 2.4 metric tons of hashish seized in the town of Brest on the Polish border. Another 2.1 metric tons, following the same route, was seized in Poland. Drug seizures by the police, primarily of opiates, increased to over a metric ton in 1993, up from 253 kilos in 1992.

Demand reduction programs are fairly limited. However, the Ministry of Health provides 13 specialized narcological centers and 17 asylums where drug addicts are given assistance. Drug prevention education is part of the national curricula of secondary and technical schools and basic training on drug education is provided to teachers, doctors, nurses, pharmacists and law enforcement officials.

**Corruption.** There have been no reported charges of public corruption, although anecdotal reports suggest customs officials and border guards may augment their low salaries by accepting bribes from narcotics smugglers.

**Agreements and Treaties.** Belarus is a party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs as amended by the 1972 Protocol, and the 1971 Convention on Psychotropic Substances. Belarus signed an agreement in 1993 on drug control assistance with Italy, and plans to conclude similar agreements with Austria, Bulgaria, Sweden and Germany.

The GOB has also signed bilateral treaties on assistance with Lithuania and China, and Belarus is a party to the Commonwealth of Independent States Convention on Legal Assistance. In 1993 Belarus became a member of Interpol.

### IV. US Policy Initiatives and Programs

**Policy Initiatives and Bilateral Cooperation.** In 1994 the USG continued to urge increased attention to the drug issue. Initial efforts have focussed on identifying existing problems, possible areas for assistance, and the need to implement the UN drug conventions. Moreover, the USG is promoting antidrug cooperation by those nations, primarily in Western Europe, most directly effected by heroin smuggling through Belarus.

Against this backdrop, the USG provided INL-funded assistance through the US Drug Enforcement Administration and US Customs Service. The USG through INL also earmarked funds for a UNDCP project now underway in Belarus which will cover all aspects of drug control, including licit drug use and money laundering. The project will provide a centralized resource for drug interdiction efforts in Belarus as well as a framework for further multilateral and bilateral drug and law enforcement assistance.

**The Road Ahead.** The USG will continue to encourage Belarus to expand its drug control efforts and to improve its institutional law enforcement capacity. While the USG will provide some limited bilateral training in 1995, we will urge the West European nations most directly affected by the drug traffic through Belarus to provide bilateral and multilateral counternarcotics assistance to Belarus.

## BELGIUM

### I. Summary

Belgium is mainly a transit country for illicit drugs bound for larger markets in Western Europe. Belgian law enforcement authorities are concerned about an increase in heroin trafficking from Turkey and from the former Soviet Union states. Belgium has a small heroin addict population, but authorities are concerned about increasing use of synthetic drugs from the Netherlands.

Money laundering is not a significant problem in Belgium. The Financial Police Unit in the Ministry of Finance referred 81 cases of suspicious transactions to prosecutors in the first 10 months of 1994.

Belgium is not a producer of illicit drugs, or of precursor chemicals used in the manufacture of illicit drugs. The Government of Belgium's (GOB) chemical export laws conform to the European Union's (EU) directive on chemical control.

The GOB has signed, but not ratified, the 1988 UN Convention. Ratification has been postponed by the government's constitutional reforms which have devolved significant responsibilities to the regional communities (states); they have not modified their laws to conform to the Convention.

GOB and USG law enforcement cooperate closely, and the two governments consult on international drug policy matters in international drug control organizations, including the Dublin Group.

### II. Status of Country

The Belgian government does not maintain statistics on drug use, but authorities believe that the number of heroin users has stabilized. Authorities are concerned about an increase in synthetic drug use, particularly "ecstasy" and LSD.

Belgium's large port facilities (Antwerp is Europe's second busiest port), excellent transportation infrastructure, and central location in Western Europe make it an attractive transit point to the rest of Europe for illicit drugs and precursor and essential chemicals.

The Special Unit in the Ministry of Finance, organized in 1993, reviews suspicious transactions reported by banks and other financial institutions. A majority of laundered currency enters Belgium from the UK and is converted into Dutch guilders before being moved on to the Netherlands. Belgium is a member of the Financial Action Task Force (FATF) and its laws conform with the EU directive on money laundering. Belgium has asset forfeiture legislation, but does not have a system of sharing the assets with other foreign governments.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The Ministry of Justice, in an effort to improve international counternarcotics coordination, opened drug liaison offices in the capitals of Germany, the US, Italy, Spain and The Netherlands in 1994. These are in addition to offices in Colombia, France and Vienna. The Ministry plans to open offices in Moscow, Istanbul, London and Ottawa in 1995.

Belgium is a member of several international antidrug organizations, including the Heads of European Narcotics Law Enforcement Agencies (HONLEA), the Dublin Group, the FATF and the UNDCP. Belgium contributed approximately \$900,000 to UNDCP in 1993 (1994 figures are not yet available).

**Accomplishments.** The Belgian parliament passed legislation authorizing the use of wiretaps in criminal investigations, an important step in assisting law enforcement authorities investigate suspected drug traffickers.

Belgium and the Netherlands signed an agreement requiring the Dutch to reduce the number of coffee houses where cannabis products are sold, and to prohibit the sale of such drugs to foreigners, including Belgians.

**Agreements and Treaties.** Belgium signed the 1988 UN Convention, but has not yet ratified it because of Belgium's constitutional restructuring which shifted significant powers to regional communities; they must revise their laws to implement the Convention's objectives. Belgium is a party to the 1961 Single Convention and its 1972 Protocol.

The US and Belgium have an updated extradition treaty signed in 1987, but it has not been ratified, due to Belgian concerns about the USG position on the abduction of fugitives. The Belgian government in late 1994 signaled its readiness to proceed with ratification. Belgium concluded a mutual legal assistance treaty (MLAT) with the US in 1988 and is expected to ratify it in 1995.

**Law Enforcement Efforts.** The Judicial Police and the Gendarmerie (national police) cooperate closely and are effective and efficient. In the first 10 months of 1994, GOB law enforcement authorities seized 335 kgs of cocaine (total 1993 seizures of 2,891 kgs included a single seizure of 2,225 kgs), as well as 123 kgs of heroin (52 kgs in 1993). Authorities arrested 13,406 suspects for drug-related offenses in 1994 versus 15,670 in 1993.

**Corruption.** Corruption is not a problem in the Belgian public service or among law enforcement agencies. There were no reports of drug-related corruption by public officials in 1994. There are effective laws to combat and punish corruption.

**Cultivation/Production.** There is no significant cultivation or production of illicit drugs in Belgium.

**Drug Flow/Transit.** Belgium is an important transit point for drug traffickers because of its good port facilities, its airports, and its excellent road connections to neighboring European countries. Most illicit drugs enter Belgium through the ports of Antwerp and Bruges, across the border with the Netherlands, and through the Brussels airport. Belgian authorities believe drug traffickers smuggle their products into Belgium from Istanbul via Romania, Bulgaria and Italy. Authorities report increasing heroin traffic through the Baltic ports, particularly Riga in Lithuania.

**Demand Reduction.** The Belgian government has an active drug abuse program. Belgium schools teach the dangers associated with drug use.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** USG law enforcement agencies (DEA and the FBI) cooperate closely with Belgian law enforcement and judicial authorities. In 1994, the USG hosted visits by several Belgian law enforcement officers and magistrates to participate in US seminars on narcotics and other law enforcement matters.

**Road Ahead.** The USG will encourage the Belgian government's active participation in the Dublin Group, Financial Action Task Force, its support of UNDCP's programs and continued close bilateral cooperation on law enforcement matters. The USG also will urge the GOB to ratify the updated extradition treaty and MLAT it concluded with the US

## BULGARIA

### I. Summary

Bulgaria is increasingly one of the most important conduit nations for Southwest Asian heroin operations seeking markets in Western Europe. In 1994, drug traffickers continued to use Bulgaria as a means to circumvent the once traditional smuggling routes through Serbia. Traffickers diversified their operations and established new smuggling routes. Domestic drug use, while still relatively low, is increasing. The Government of Bulgaria (GOB) has begun to develop a national counternarcotics campaign and law enforcement authorities are increasing cooperation with the USG and West European authorities. Nevertheless, the GOB still lacks key counternarcotics and criminal legislation to thwart drug trafficking operations in Bulgaria. Moreover, possession of drugs remains legal in Bulgaria.

### II. Status of Country

Bulgaria is primarily a conduit for drug traffickers smuggling heroin to the West. However, increased heroin smuggling through the region and weak penalties for trafficking and distribution have fueled drug abuse in Bulgaria, particularly among youth. Trafficking groups appear to be expanding local distribution. The incidence of drug abuse in Bulgaria is low but increasing and heroin is increasingly used by a younger crowd. Narcotics are available at relatively low street prices. Bulgarian authorities estimate that there are 3,000 to 5,000 hard core addicts and 15,000 to 20,000 drug users.

Bulgaria's central location on the Balkan peninsula makes it increasingly attractive as conduit for smuggling drugs to Western markets. The large number of bonded (TIR) trucks that transit the "Balkan route" increases Bulgaria's attractiveness to traffickers; the Kapitan Andreevo control post on the Turkish border processes 1,000 vehicles daily. The imposition of sanctions on Serbia has prompted drug traffickers to shift their smuggling from Serbia to Romania or the former Yugoslav Republic of Macedonia. Both of these newer routes emphasize increased use of Bulgaria as a transit area. There are indications that air and sea smuggling is also common.

Drug trafficking in the region once controlled primarily by Turkish and Iranian groups now includes other networks run by expatriates from former Socialist countries or the Golden Crescent countries. Bulgarian nationals have also been drawn into the drug trade. Colombian drug barons are also continuing efforts to establish a foothold in Bulgaria. Routes West through Bulgaria to the former Yugoslav Republic of Macedonia (FYROM) are also being reestablished.

Although Bulgaria is not a major producer, the press reported illegal opium cultivation in the southwestern region in 1994. Bulgarian officials are concerned about the production of precursor chemicals and their illegal shipment from Bulgarian chemical companies.

GOB officials believe the state of flux in the banking and financial sector and the absence of comprehensive legislation has increased opportunities for money laundering. Moreover, the collapse of communism led to the formation of private protection or security businesses that established and enforced their own codes. According to GOB authorities these security groups are already laundering funds and may become involved in drug money laundering in a much bigger way. To date, however, GOB authorities do not have information on the extent of such operations.

### **III. Country Actions Against Drugs**

**Policy Initiatives.** The GOB is moving slowly to develop a domestic counterdrug strategy through the Interministerial Council for Drug Matters chaired by the Minister of Health. Following accession to the 1988 UN Convention last year, the government drafted a revised criminal code which was expected to be introduced to Parliament last Spring. It is now expected to go to Parliament later this year. Meanwhile, the GOB is relying on existing legislation and administrative procedures to the extent possible in implementing the 1988 UN Convention. The GOB anticipates a heated debate in Parliament over the criminal code because it includes criminal penalties for drug use and there is a strong movement to legalize drug use.

On balance the GOB has begun to take some legislative changes. In May 1994, the GOB promulgated the text of the 1990 Council of Europe Convention on laundering, search, seizure, and confiscation of proceeds from crime in the state gazette, thereby making it a part of Bulgaria's body of domestic law.

**Law Enforcement Efforts.** The Ministry of Interior's Central Service for Combatting Organized Crime and Narcotics Trafficking has increased its investigative capabilities over the past year. This office also coordinates investigations on drug-related issues such as official corruption and money laundering. This office is continuing to work with the US on drug-related cases.

Bulgarian authorities report that increased drug seizures show greater smuggling operations and increased participation in criminal activities by Bulgarian citizens. Customs officials have seized over 780 kg of illegal drugs in 1994, and police have seized approximately 140. Bulgarian authorities are increasing cooperation with European law enforcement agencies to thwart efforts by West European criminal organizations to obtain precursor chemicals in Bulgaria.

**Corruption.** The Ministry of Interior's Central Service for Combatting Organized Crime and Narcotics Trafficking coordinates investigations on drug-related issues, including official corruption and money laundering. The USG has no information that senior GOB officials are involved in drug trafficking, but there are some unconfirmed reports of corruption at the working level.

**Agreements and Treaties.** Bulgaria is a party to the 1988 UN Convention, the 1961 Single Convention and 1972 Protocol thereto, and the 1971 Convention on Psychotropic Substances. In May 1994, the GOB promulgated the text of the 1990 Council of Europe Convention on laundering, search, seizure, and confiscation of proceeds from crime in the state gazette, thereby making it a part of Bulgaria's body of domestic law.

**Cultivation/Production.** Law enforcement agencies reportedly eradicated several hectares of illegal cannabis cultivation in 1994. In addition, the GOB uncovered approximately 10 hectares of poppy cultivation in southwestern Bulgaria. However, this cultivation has not yet been eradicated because Bulgarian law requires that prosecutors prove intent to produce illegal substances before the cultivation can be eradicated.

**Domestic programs.** Although demand reduction programs are not a high priority, the National Center for Addiction recently developed a new treatment center. Educational programs are being developed and implemented in high schools, and the center is working on similar programs for university level students.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG promotes increased GOB attention to the drug problem. The USG will continue to promote antidrug cooperation by those nations, primarily in Western Europe, most directly affected by heroin smuggling through Bulgaria. Against this backdrop the USG increased cooperation with Bulgaria's antidrug agencies in 1994. The USG has provided INL-funded training assistance through the US Drug Enforcement Administration (DEA) and US Customs Service.

**Bilateral cooperation.** In July 1994 the US State Department provided the Bulgarian Central Service for Combating Organized Crime with equipment to improve communication on drug cases throughout Bulgaria. Bulgarian counternarcotics officials received training in the US on forensics and other law enforcement topics in 1994.

**The Road Ahead.** The biggest challenge confronting Bulgaria is the expansion of the heroin trade into and through the country. The USG will continue to encourage the GOB to bolster its antidrug campaign. During 1995, bilateral USG support will focus on assisting Bulgaria to develop the necessary legal infrastructure to implement the 1988 UN Convention and effectively fight narcotics trafficking. In addition, INL will continue to provide limited law enforcement and demand reduction training, and equipment to assist Bulgaria's antidrug campaign.

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**Statistical Tables**

TABLES for CY		1994	1993*	1992	1991	1990
<b>Seizures</b>						
Opium	[mt]	-	0.004	0.0001	0.003	0.000
Heroin	[mt]	0.402	0.418	0.157	0.144	0.058
Other Opiate	[mt]	-			0.000	0.000
Marijuana	[mt]	0.516		0.019	0.010	0.000
Other Cannabis	[mt]	0.001	0.003	0.062	0.018	0.013
Cocaine	[kg]	0.0034	0.175			
<b>Arrests</b>						
Nationals		-		2	0	0
Foreigners		-		29	20	15
<b>Total Arrests</b>		-	38	31	20	15

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\* January - October 4, 1993 only.

## CYPRUS

### I. Summary

Cyprus' location in the Eastern Mediterranean and its well developed business, tourism, and communications infrastructure make it a popular meeting point for drug traffickers. Cyprus strictly enforces tough antidrug laws in accordance with the 1988 UN Convention, which it ratified in 1990.

Cyprus police and customs authorities cooperated closely with United States authorities in 1994. Cyprus officials are concerned that Cyprus' offshore business sector is being used for international money laundering activities, and monitors some monetary activities to deter such activities.

### II. Status of Country

Cyprus' location in the Eastern Mediterranean and its close proximity to Lebanon and Turkey make it a convenient transit point for Turkish and Lebanese narcotics traffickers. Cyprus' highly developed business and tourism facilities, a modern telecommunications system, and a large merchant shipping fleet further attract traffickers to Cyprus. Traffickers conceal heroin and cannabis resin in the substantial container traffic transhipped through Cyprus, and take advantage of air connections to transship drug-related currency to and from Europe.

Although the Government of Cyprus (GOC) does not collect statistics on drug use, authorities believe drug use in Cyprus is relatively low. Hashish is the most commonly used drug, followed by heroin and cocaine.

Cyprus has also attracted over 15,000 offshore companies from all over the world, over 2,000 of which are Russian. Cyprus' success as an international offshore center has made it vulnerable to international money laundering activities, particularly by the Russian mafia, and other organized crime groups. The Cyprus Central Bank monitors monetary activities to deter money laundering, but must rely on enforcement of banking regulations to do so. Cypriot law does allow for the confiscation of drug-related profits, though this law has not been actively utilized.

GOC customs officials, in cooperation with USG authorities, attempt to monitor the flow of precursor chemicals that transit Cyprus to Lebanon. GOC officials work closely with chemical brokers in Cyprus to monitor chemical shipments. Cyprus authorities believe diversion of chemicals to illicit drug manufacturers is not a significant problem.

### III Country Action Against Drugs in 1994

**Policy Initiatives.** The Cypriot legislature is reviewing a bill to allow "controlled delivery" of narcotics for drug-trafficking law enforcement investigations and is expected to vote on it in 1995.

**Accomplishments.** In December, the GOC's Central Bank issued regulations extending bank compliance officers' responsibilities to include anti-money laundering procedures. In September, the Cyprus police force organized a task force of financial investigators and Central Bank officials to identify fraudulent financial activities.

The GOC also signed separate bilateral counternarcotics cooperative agreements with the governments of Egypt and the United Kingdom in 1994.

**Agreements and Treaties.** The GOC ratified the 1988 UN Convention in 1990 and is generally meeting the Convention's goals and objectives. The GOC is also party to the 1961 Single Convention, the 1972 Protocol, and the 1971 Convention of Psychotropic Substances. Cyprus cooperates closely with the USG under the 1987 USG-GOC Customs Mutual Assistance Agreement.

**Law Enforcement Efforts.** Narcotics laws are enforced strictly in Cyprus. Cyprus police and customs authorities maintain excellent relations with United States and other foreign government officials. Domestic law enforcement cooperation is limited by the de facto division of northern Turkish speaking Cyprus, an area beyond the GOC's control. Authorities in the government controlled areas have no direct working relations with enforcement authorities in the "Turkish Republic of Northern Cyprus" or with Turkey. Turkish Cypriots have their own law enforcement organization, responsible for the investigation of all narcotics related matters and have carried out seizures and other enforcement activities in the northern part of Cyprus.

GOC officials are concerned about rising drug-related crime. At the end of September 1994, Cyprus police arrested 166 people on drug-related charges, compared with 123 in all of 1993. Cypriot sentencing guidelines call for a maximum prison term of one year for drug users under 25 years of age with no police record. Sentences for drug traffickers range from four years to life, depending on the substances involved and the offender's criminal record.

In 1994, GOC authorities seized 5 kilograms of cannabis (compared to 15 kilograms on 1993), 2.6 kilograms of heroin (compared to 1 kilogram in 1993) and .04 kilograms of cocaine (compared to 4.9 kilograms in 1993).

**Corruption.** Corruption among public officials is not a problem in Cyprus. There are no recorded cases of senior government officials involved in narcotics trafficking-related activities.

**Cultivation/Production.** GOC officials believe small amounts of marijuana are cultivated for personal use. The USG is not aware of any other production or cultivation of drugs in Cyprus.

**Drug Flow/Transit.** The Cyprus police believe illicit drugs, particularly heroin, transit northern Cyprus from Turkey to other parts of Europe. Cyprus is also a transit point for cocaine transported by commercial air from Brazil to Cyprus and destined to the Middle East and countries of the former Soviet Union.

**Demand Reduction Programs.** Recent increases in drug use prompted the GOC to focus more attention on demand reduction efforts and education. In 1994, the GOC increased the number of drug abuse consultative centers in Cyprus.

#### **IV. USG Policy Initiatives and Programs**

In June 1994, the Drug Enforcement Administration (DEA), in cooperation with INL, held two seminars on money laundering for 70 bank officials. DEA also provided money laundering training to Cyprus police officials. In September, DEA, in conjunction with INL, held a drug enforcement seminar for officials of the Cyprus police and customs service.

The GOC and USG are negotiating an updated extradition treaty that would supersede the existing one. A memorandum of understanding on the treaty was initialed but the treaty has not yet been concluded.

**The Road Ahead.** The USG looks forward to continued good law enforcement cooperation with the GOC. For the coming year the USG will encourage further efforts to deter money laundering activities in Cyprus, and will continue negotiations on an updated extradition treaty.

## CZECH REPUBLIC

### I. Summary

Drug trafficking organizations accelerated their efforts to target the Czech Republic in 1994. Seizures indicate that a variety of trafficking organizations use the Czech Republic to move Southwest Asian heroin to West European markets. Significant new drug markets--primarily of heroin--also are emerging throughout the Czech Republic. Increased availability, low prices, and legislation which allows drug possession have attracted drug tourists from Germany and Austria. According to Czech officials, there also is continuing production of illicit amphetamines.

The Government of the Czech Republic (GOCR) is increasingly concerned about the escalating drug trade. As a result, it has stepped up efforts to strengthen its legislation, expand law enforcement activities, and increase implementation of the 1988 UN Convention.

### II. Status of Country

The drug trade made further inroads into the Czech Republic in 1994. Drug traffickers used the republic as a conduit to move Southwest Asian heroin and South American cocaine to Western European markets. Czech police also reported increased cocaine smuggling through West and North Africa to Europe. Czech officials believe that the republic is used by organized crime groups from the Newly Independent State (NIS) and the former Yugoslavia, as well as by Italian organized crime groups such as Camorra and the Sicilian mafia, and by other criminal organizations.

New drug patterns observed by the police in 1994 included amphetamines arriving from Poland by road; pervitin, a stimulant manufactured locally from ephedrine, spreading abroad, notably to Germany and Canada; and cocaine traffic from South America through Polish ports and on flights transiting Amsterdam to Prague.

Law enforcement officials believe that seizures, availability, and the low price of illicit drugs, particularly for heroin, indicate that drug trafficking organizations are expanding domestic markets. Health authorities believe that the number of drug addicts increased between two- and six-fold from 1993 to 1994. Drug abuse is particularly prevalent among school children 15 to 19. Escalating drug abuse in rural areas poses a particular challenge to authorities, given the limited demand reduction programs in these areas. Moreover, drug tourists from Germany and Austria appear to be attracted increasingly to the Czech Republic where heroin sells for one-third the amount in their own countries.

Although heroin and cocaine use are on the rise, amphetamines remain the most popular drugs in the Czech Republic. The government relaxed controls on chemicals used in the manufacture of illicit drugs, prompting an increase in illicit amphetamine production in the CSFR in 1992. Czech officials believe that amphetamine production continues.

The Czech Republic is not an important regional financial center, but authorities do not know the origin of large amounts of available capital. Moreover, although money laundering is a crime, there is stringent bank secrecy and controls are lax on the sources of funds invested in the economic privatization process. Czech officials believe organized crime groups launder funds in the Czech Republic, but it is not clear to what extent the funds laundered are from narcotics trafficking or other activities.

### **III. Country Actions Against Drugs in 1994**

The concerns of the government about the drug trade prompted a revision of its drug control strategy, which previously emphasized demand reduction. The government expanded police efforts against trafficking, and adopted or proposed a series of legal steps and other programs. Law enforcement efforts in the first nine months of 1994 increased significantly over 1993, and included seizures of 150 kgs of heroin and 70 clandestine laboratories. Police investigations indicated that much of the drugs were for domestic use.

The government raised the National Drug Commission (NDC), which coordinates the drug activities of nine ministries and departments, to the ministerial level. The NDC is focussing on preparing legislation to target drug trafficking, money laundering, and the diversion of precursor chemicals. The NDC forwarded bills to parliament establishing criminal penalties on money laundering, and requiring reporting of all financial transactions, as well as all cash transactions over 500,000 Czech crowns. The bill, which is pending parliamentary action, also would establish a unit in the Ministry of Finance to analyze such transactions.

The GOCR also has taken steps to combat the amphetamine production. In accordance with the republic's obligations under the three UN drug conventions, the Ministry of Health established in September a special unit to monitor legal drugs and precursor chemicals. Five more essential chemicals were added to the list of controlled substances.

In order to implement the 1988 UN Convention, the NDC in October announced plans to revise antidrug legislation. The revisions would:

- allow provisions for controlled deliveries;
- criminalize all money laundering;
- amend the penal code to penalize the possession of drugs for personal use;
- control the production of legal drugs and ban the production of other types of drugs;
- monitor the export of precursor chemicals and pharmaceuticals.

GOCR efforts in demand reduction promoted an increase in public awareness and treatment outreach programs. The Ministry of Health established a national coordinator for drug epidemiology to gain a better understanding of the extent of domestic drug abuse. The ministries of Health and Education developed demand deduction prevention programs for teachers and hospitals and are supporting an media public awareness campaign. Public and private treatment programs are available in the major cities.

**Corruption.** The USG is unaware of any reports of narcotics-related corruption among Czech officials.

**Agreements and Treaties.** The Czech Republic intends to honor the UN 1961 Single Convention, its 1972 Protocol, the 1971 Convention on Psychotropic Substances, and the 1988 Convention. The bilateral extradition treaty between the Czech Republic and the US is in effect and includes drug-related offenses under the terms of the 1988 UN Convention.

The Czech Republic also has ratified an agreement with the European Union which takes effect in February 1995; it provides for cooperation on organized crime and drug trafficking.

**Cultivation/Production.** Authorities believe that there is extensive methamphetamine production, but most data is anecdotal. Czech officials report that there were approximately 8,800 ha of opium poppy legally cultivated in 1994 for use in the pharmaceutical industry and for poppy seeds for the food industry; the hecterage devoted to poppies was expected to increase sharply to about 28,000 ha in 1995. There is no information available on cannabis cultivation, but authorities note there is some cannabis cultivation for personal use.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1994, the USG promoted government attention to the drug problem. The USG encourages antidrug support for the republic from those nations, primarily in Western Europe, most directly affected by drug problems in the region. In November, a delegation from the Financial Action Task Force consulted with Czech counterpart agencies on methods to target money laundering. Through UNDCP, INL contributed funds to strengthen the law enforcement and customs communication infrastructure, and to enhance surveillance and interdiction capabilities. Additionally, INL provided training through DEA and US Customs.

**The Road Ahead.** The USG will encourage Prague to expand its drug control activities, and to strengthen its institutional capabilities, including key drug control legislation, such as criminalizing drug possession. INL will provide limited law enforcement training and equipment to assist the government in its antidrug campaign. INL and UNDCP are co-funding the GOCR's participation in a regional demand reduction program in Sicily.

## DENMARK

### I. Summary

Denmark is a popular drug transit point for drugs destined to the Nordic region. South American cocaine and Southwest Asian heroin traffickers use Denmark's excellent transportation system to move their products to Scandinavia, Western Europe and the US. Danish officials are concerned that narcotics use is spreading from large urban areas to small communities; they estimate that there are now approximately 10,000 addicts. Heroin and hashish are the drugs of choice, but cocaine and amphetamines use is growing. Law enforcement authorities seized over 9,000 kgs of hashish in 1994, ten times the amount seized in previous years.

Denmark ratified the 1988 UN Convention in 1991. Danish officials actively participate in international narcotics control fora, including the UNDCP.

### II. Status of Country

Danish authorities estimate there are approximately 10,000 addicts. However, Danish officials are concerned that cocaine and synthetic drug use may be increasing.

Denmark is not a significant money laundering center. It is unlikely it will become one, given close government regulation of the financial sector, and the effective money laundering legislation passed in 1993. Denmark has implemented the recommendations of the Financial Action Task Force (FATF) as well as the EU directive on money laundering.

The Danish government closely monitors exports of precursor and essential chemicals. Danish chemical diversion to illicit drug manufacturers is not considered a problem. Denmark's chemical control measures are in accordance with the EU directive on chemical control, and with the 1988 UN Convention.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** In conjunction with its Scandinavian neighbors, Denmark provides law enforcement training assistance to the Lithuanian police. In 1994, it assigned an officer to Lithuania to oversee the training programs.

Danish officials are active in multilateral antidrug fora, including the Dublin group and the UNDCP. Denmark contributed \$1.3 million to UNDCP in 1994.

**Accomplishments.** In December, the Danish police and DEA worked with the Latvian police which led to the first heroin seizure in Latvia.

**Agreements and Treaties.** Denmark ratified the 1988 UN convention in 1991 and is meeting the convention's goals and objectives. The USG and the Danish government have an agreement to exchange narcotics trafficking information and an extradition treaty dating from 1928. Denmark is a party to the 1961 Single Convention and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances.

**Law Enforcement Efforts.** Danish law enforcement authorities are effective and efficient. In the first 11 months of 1994, authorities seized 9,000 kgs of hashish (compared to 937 kgs in 1993), 27 kgs of heroin, (compared to 23 kgs in 1993), and 25 kgs of cocaine (versus 10 kgs in 1993). Authorities arrested approximately 11,000 suspects for narcotics-related offenses (compared to 12,000 in 1993).

Danish law permits asset forfeiture and seizure in drug-related criminal cases; however, the government does not compile statistics on asset seizures. Seized assets are turned over to the state treasury; Danish law does not permit the use of assets by law enforcement agencies, or the sharing of assets with other countries.

**Corruption.** Narcotics-related corruption is not a problem in Denmark. Danish corruption laws deter public officials from facilitating the illicit production or distribution of drugs, or the laundering of drug money. The USG is not aware of senior government officials involvement in drug-related corruption.

**Drug Flow/Transit.** Drug traffickers use Copenhagen as a transit point for heroin from Southwest Asia to Scandinavia, Western Europe, and the US. Traffickers also use Denmark as a transit route for South American cocaine bound for other European countries. Most drug seizures take place at Copenhagen's airport.

**Cultivation/Production.** The manufacture and cultivation of narcotics is not a problem. The USG is not aware of any cases of illicit drug production or cultivation in 1994.

**Demand Reduction Programs.** The Danish government has an active program to prevent drug abuse and treat addicts. The Ministry of Education makes video tapes and other antidrug educational material for use by both teachers and students. The school program is supplemented by counternarcotics programs in youth centers. Drug abuse treatment is available at hospitals and communal institutions.

#### **IV. US Policy Initiatives and Programs**

USG and Danish government law enforcement cooperation is excellent. DEA works closely with the Ministry of Justice.

**The Road Ahead.** The USG will encourage active Danish government participation in the Dublin Group and continued Danish support for the UNDCP. The USG will look to expanding joint USG-Danish law enforcement efforts, particularly in the Baltic region.

## FINLAND

### I. Summary

Narcotics trafficking and usage is not a significant problem for the Finnish government. In 1994 drug abuse remained low. Also, Finnish authorities had little problem coping with the minor amount of trafficking which took place in this small, ethnically homogeneous and lightly populated nordic country. The Finnish government has an efficient record in enforcing narcotics-related laws. Demand prevention programs are pursued by the Finnish government. The United States government supports Finnish narcotics enforcement by providing training for Finnish officials. The Finns in turn are providing training to Estonian officials.

In 1994, Finland ratified the 1988 UN Convention, and also made money laundering a crime. Finland also signed a narcotics enforcement cooperation agreement with Russia in 1994.

### II. Status of Country

Finland produces neither narcotic substances nor precursor and essential chemicals. The Government of Finland (GOF) does not maintain statistics on drug use. However, various government organizations are beginning to undertake surveys to determine the scope of the problem in Finland.

In 1994 Finland designated money laundering as an illegal and punishable act. Finnish officials believe little money laundering takes place in Finland. Since January 1994, the GOF National Bureau of Investigation has received 75 reports of suspicious financial activity from financial institutions, and insurance companies.

Finnish national police and customs officials work closely with all chemical brokers in Finland. This close cooperation has prevented precursor and essential chemical diversion problems.

### II. Country Actions Against Drugs in 1994

In 1994 the Finnish National Police and the Russian Ministry of Internal Affairs (MVD) signed an agreement providing for joint counternarcotics efforts. This agreement covers all types of criminal investigations. Finnish officials also provided narcotics enforcement training for Estonian authorities in 1994, using USG training programs as a model.

Finland provides small amounts of international counternarcotics assistance. Over the past two years, anti-drug assistance has been limited to \$23,000 contributed to the UN International Drug Control Program's narcotics laboratory in Vienna.

**Agreements and Treaties.** Finland ratified the 1988 UN Convention in May 1994, and its legislation is consistent with all the Convention's goals and objectives. Finnish legislation covers the distribution, sale, and transport of narcotic substances, as well as extradition, law enforcement, transit cooperation, precursor and essential chemical control, and demand reduction.

**Law Enforcement Efforts.** Finland has an effective and efficient law enforcement force. The Finnish Customs Service and the police cooperate closely and adapt their tactics and operations to match changing criminal and smuggling trends. In 1994 Finnish authorities seized 52 kilograms of hashish (compared to 106 kilograms in 1993), 5 kilograms of amphetamines (compared to 14 kilograms in 1993), .7 kg. of heroin (compared to .4 kilograms in 1993), and .03 kilograms of cocaine (compared to .006 kilograms in 1993). They arrested 2,162 people on drug-related charges in 1994, compared to 2,188 in 1993.

**Corruption.** Corruption among public officials is not a problem in Finland. There are no recorded cases of government officials involved in narcotics trafficking-related activities.

**Cultivation/Production.** The USG is not aware of any reported cultivation or production of illicit drugs in Finland.

**Drug Flow/Transit.** Finnish authorities are concerned about increased narcotics flows from the former Soviet Union. However, drugs smuggled from the Netherlands are the primary source of narcotics in Finland. The other principal sources are South America and Asia. Most narcotics transiting Finland are destined for larger markets in Western Europe.

**Demand Reduction Programs.** The Finnish government's anti-drug programs generally emphasize treatment rather than punishment. The Finnish Ministry of Social Affairs and Health is involved in the drug use treatment and educational programs. The agency focuses its prevention efforts on programs for students between the ages of 10-14.

#### **IV. US Policy Initiatives and Programs**

The USG offers drug-related training opportunities to Finnish officials. In the last five years, Finnish police officials have attended a variety of relevant courses in the United States, including the international narcotics enforcements managers seminar and the international forensic chemists seminar sponsored by the Department of State.

In 1994, a member of the Finnish national police responsible for money laundering investigations participated in a USG sponsored asset forfeiture and seizure seminar in Moscow for Newly Independent States officials. Also in 1994, USG authorities worked closely with Finnish authorities in arranging a controlled delivery of heroin to a Nigerian trafficker attempting to operate out of Finland. The operation led to the arrest of the Nigerian and the breakup of a newly organized drug network.

**The Road Ahead.** The USG looks forward to continued close law enforcement cooperation with the Government of Finland. In 1995, the USG will continue to encourage the Finnish government to assist Estonia and other former Soviet Union countries develop effective counternarcotics programs.

## FRANCE

### I. Summary

France is an important transit country for drugs from the Middle East, Southwest Asia, and South America. In 1994, French authorities seized a 1.2 mt cocaine shipment, the France's single largest cocaine seizure. Heroin use is the French government's primary domestic abuse problem, but officials believe heroin seizure rates will keep increasing as well. The Government of France (GOF) has increased the number of methadone treatment sites to treat heroin addicts.

The GOF is actively involved in international antidrug fora, including chairing the Dublin Group in 1994. The GOF closely monitors the shipment of precursor and essential chemicals, and has adopted the European Union's (EU) directive on chemical control. France has been a party to the 1988 UN Convention since 1990.

### II. Status of Country

French authorities report drug-related deaths decreased in 1993 (454 cases versus 499 in 1992); however, they believe that heroin abuse is a serious problem, although 1994 statistics are not yet complete. Officials are concerned that cocaine use, including crack, is growing, based on the increasing number of cocaine-related arrests (1,021 in 1993 versus 950 in 1992). Crack-related arrests increased to 300 in 1993 from 140 in 1992.

French authorities believe that there is laundering of drug proceeds, particularly through French bank branches in the Caribbean. A French Finance Ministry office, TRACFIN, reviews suspicious transactions and refers cases to judicial authorities if money laundering is identified.

France produces some precursor and essential chemicals, but the French Customs Service closely monitors chemical shipments. French precursor and essential chemical control laws are in compliance with the EU directive on chemical controls and with the 1988 UN Convention.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** Revisions to the French penal code went into effect in March covering drug trafficking. The revised code makes drug trafficking punishable by life imprisonment, and persons convicted of drug production can be jailed for up to 30 years. Previously, drug trafficking was listed as a misdemeanor, although traffickers usually were given lengthy sentences for other drug-related offenses.

France actively participates in a variety of international drug control fora, including the UNDCP, the Financial Action Task Force, and the Dublin Group. It chaired the Dublin Group's two annual meetings in 1994. Annual French expenditure in 1994 for overseas counternarcotics assistance was approximately \$10 million, including a \$2 million contribution to the UNDCP.

**Accomplishments.** In January, French authorities seized approximately 1.2 mt of cocaine in southwestern France, the single largest cocaine seizure. The French drug control agency, the General Delegation for the Fight Against Drugs and Addiction (DGLDT), substantially expanded the number of methadone treatment sites for heroin addicts.

**Agreements and Treaties.** The GOF became a party to the 1988 UN Convention in 1990, and is fully meeting the Convention's goals and objectives. The USG and the GOF have narcotics agreements, including a 1971 accord for coordinating action against illicit trafficking. The USG and GOF also have an active extradition treaty; however, French law does not permit the extradition of French citizens, although French nationals accused of drug-related crimes in the US can be tried and imprisoned in France.

**Law Enforcement Efforts.** French law enforcement authorities are efficient and effective. Official 1994 seizure statistics are not yet available, but authorities believe that total drug seizures will surpass those of previous years. Authorities seized 386 kgs of heroin in 1993, compared to 327 kgs in 1992, and 1,715 kgs of cocaine in 1993, compared to 1,625 kgs in 1992. Crack cocaine seizures increased to 5 kgs in 1993 from 2 kgs in 1992. Drug trafficking arrests increased to 6,451 in 1993 from 3,162 in 1992; over half the arrests were for heroin-related offenses.

**Corruption.** Official drug-related corruption is not a problem in France. The GOF does not as a matter of policy encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. The USG is not aware of any senior officials involved in the production or distribution of drugs or in money laundering.

**Drug Flow/Transit.** Traffickers smuggle heroin from Pakistan, India, Sri Lanka, Lebanon, and Syria into France; some of it is consumed in France, with the remainder transiting to other European and North American markets. Much of the drug trafficking is controlled by Nigerians. France also is a growing transshipment point and consumer market for South American cocaine. Colombian cartels distribute their product through Italian criminal groups in southern France, near the borders of Spain and Italy. France is also a transit route for hashish from Southwest Asia, particularly Pakistan, Lebanon, and North Africa.

**Cultivation and Production.** French authorities believe that illicit drugs are not manufactured or cultivated in the country, nor is the USG aware of any illicit drug cultivation or production in France.

**Demand Reduction.** The DGLDT is responsible for coordinating demand reduction programs; it has a budget of approximately \$58 million, an increase from \$44 million from 1993. Much of the increase funded additional methadone treatment centers and drug prevention/education programs involving teachers, medical personnel, and the government.

#### IV. US Policy Initiatives and Programs

**Policy Initiatives.** Counternarcotics law enforcement cooperation is good between the GOF and the USG. The USG offers the French police opportunities to participate in money laundering and narcotics-related law enforcement courses.

**The Road Ahead.** During France's presidency of the European Union Council in 1995, the USG will work with the GOF to ensure that US-EU counternarcotics cooperation are a priority. The USG will encourage France to maintain its support for the UNDCP, its active participation in the FATF and the Dublin group, and greater French counternarcotics maritime cooperation in the Caribbean.

## GERMANY

### I. Summary

The Federal Republic of Germany (FRG) is important both as a drug consuming and trafficking country. German officials are concerned about an increase in narcotics from Central Europe and the former Soviet countries transiting Germany to other European markets. Heroin use is Germany's most serious drug abuse problem, although cocaine and amphetamine use is increasing.

Local governments in some major German cities, such as Frankfurt and Hamburg, called for a relaxation of laws against all illicit drug use in 1994. However, federal government counternarcotics officials strongly oppose loosening drug possession or use restrictions.

The German parliament passed a strict precursor and essential chemicals control law, making the manufacture and sale of chemicals with the intention to manufacture illicit drugs a crime.

Germany is a major international financial center. FRG officials believe money laundering occurs, and law enforcement authorities have arrested suspected money launderers under strict money laundering laws passed in 1993.

Germany's money laundering and chemical control laws are in compliance with the European Union (EU) directives, and with the 1988 UN Convention. Germany ratified the convention in 1993.

### II. Status of Country

German authorities consider heroin the principal drug of domestic abuse. In the first six months of 1994, first-time heroin users increased to 3,459, compared to 3,283 for the corresponding period in 1993. Authorities are also concerned about increasing use of cocaine and amphetamines. First-time consumers of cocaine rose in the first half of 1994 to 1,629, from 1,090 for the same period in the previous year. Amphetamine users increased to 830 in the first six months of 1994, from 576 for the same period in 1993.

Germany has effective money laundering laws. Financial institutions must identify transactions in excess of \$13,000 to federal authorities who determine if the account should be frozen for suspected money laundering. Authorities may seize assets obtained through criminal activity.

Germany is a major producer of precursor and essential chemicals. Manufacturers generally cooperate with law enforcement authorities, investigating cases of possible chemical diversion to illicit drug manufacturers. In 1994, the government made the export of chemicals to known illicit drug manufacturers a crime.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** Germany is active in various international antidrug drug organizations, including the Dublin Group and the UNDCP. The FRG hosted in March a Dublin Group meeting on alternative development and drug control, and actively participated in two of the group's meetings in Brussels during 1994. Germany contributed approximately \$1.3 million to the UNDCP, and provided technical and financial counternarcotics assistance to the newly independent states of the former Soviet Union (NIS).

**Accomplishments.** The German precursor and essential chemical control law passed in 1994 makes it illegal to manufacture, smuggle, import or export chemicals used to manufacture illicit drugs. The law conforms with the EU's directive on chemical control and with the UN Convention. In 1994, the FRG also enacted legislation that allows the enforcement of criminal forfeiture orders.

German law enforcement authorities arrested three members of a major money laundering operation under the strict money laundering law passed in 1993.

**Agreements and Treaties.** Germany ratified the 1988 UN Convention in 1993; it is meeting the convention's goals and objectives. USG-FRG agreements include a 1956 accord on the exchange of narcotics trafficking information, and a 1978 agreement to control drug abuse. The USG and FRG cooperate extensively under their mutual extradition treaty.

**Law Enforcement Efforts.** German law enforcement authorities are efficient and effective. They are concerned that drug seizures will grow as traffickers smuggle more narcotics into Germany. In the first six months of 1994, the most recent available statistics, authorities seized 724 kgs of heroin, compared to 379 kgs for the same period in 1993. They also seized 288 kgs of cocaine, compared to 349 kgs in 1993.

**Corruption.** Drug-related corruption among officials is not a problem. The FRG does not as a matter of policy encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. There were no reports that senior FRG officials were engaged in the production or distribution of drugs or involved in money laundering activities.

**Cultivation/Production.** Germany is not a major narcotics producing country, although there is small-scale production of amphetamines. Law enforcement authorities destroyed six small illicit drug manufacturing laboratories in 1994.

**Drug Flow/Transit.** Heroin smuggled from Turkey through the Balkans and Southeastern Europe is Germany's most serious trafficking problem. Most traffickers are Germans, Turks, Italians, and Moroccans. Cocaine is smuggled from Colombia in maritime cargo or by courier via west Africa. Colombian nationals control most cocaine trafficking. Increasingly, narcotics traffic is routed to Germany through Central Europe and the former Soviet countries.

**Demand Reduction Programs.** The federal government and several states have drug treatment and drug prevention programs. Annual federal spending for drug treatment, prevention, and research programs is approximately \$80 million. The FRG's National Program on Drug Abuse Control objectives are to increase international cooperation, as well as to increase federal, state and local financial commitments in the drug control effort.

#### **IV. US Policy Initiatives and Programs**

USG and FRG law enforcement cooperation is good. German and USG authorities routinely cooperate on joint investigations of international drug trafficking organizations. US law enforcement authorities provide demand reduction and narcotic investigation training to their German counterparts on a self-funded basis.

**The Road Ahead.** The USG will continue working with Germany, bilaterally and in other multilateral counternarcotics fora, including the Dublin Group. The USG will encourage Germany to chair the Dublin group in 1996, and to continue supporting the NIS in developing effective counternarcotics and organized crime programs.

## GREECE

### I. Summary

Greece is a transit route for narcotics produced in the Near East and South Asia and destined primarily for Western Europe. Continuing civil strife in the former Yugoslavia in 1994 diverted traffickers to new routes which transit Greece and the Balkans. Authorities made record seizures of heroin transiting Greece in 1994.

Greek officials believe drug abuse is growing, particularly of heroin. Overdose deaths increased 67 percent over 1993 to 135 deaths.

Greece is a party to the 1988 UN Convention and is generally meeting its goals and objectives, with the exception of those relating to money laundering. In December, the Government of Greece (GOG) began drafting additional money laundering legislation to comply with the Convention. Greece is not a major supplier or transshipment point for precursor chemicals.

There is excellent cooperation between Greek and US enforcement agencies. The GOG actively participates in various international antidrug organizations, including the Financial Action Task Force (FATF), and the Dublin Group where Greece chairs the Balkans/Near East regional working group.

### Part II. Status of Country

Greece is attractive as a drug transshipment route to other points in Europe, due to its extensive coastline, numerous islands, and large merchant marine industry. Drug routes through the Balkan peninsula passed from Turkey through Greece and Albania to Italy; or from Greece and/or Turkey to Bulgaria and then north to Central and Western Europe.

There is a small but growing domestic market for illicit drugs, especially heroin. Drug overdose deaths increased to 135 in 1994 from 90 in 1993. Small amounts of cocaine, barbiturates, amphetamines and locally grown marijuana also are used. GOG officials believe there were some 70-80,000 heroin users in 1994, up from about 40,000 in 1993. Authorities seized a small amount of crack cocaine for the first time, but do not believe it is used widely.

Greece is not considered a major financial or moneylaundering center, but authorities believe that some money laundering occurs. As a result, in 1994 the Greek parliament began drafting additional money laundering legislation in accordance with the EU directive on money laundering and the recommendations of the FATF. Authorities cooperated with the USG in freezing bank accounts suspected of containing illicit funds derived from drug trafficking.

Greece is not a major producer, supplier or transshipment point for precursor chemicals. A special unit in Greek Customs tracks and investigates chemical imports and exports.

### **Part III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** Greece is active in a member of international antidrug organizations, including the Dublin Group; it participated in two Dublin Group meetings in Brussels.

**Accomplishments.** The Greek parliament approved legislation implementing chemical controls and licensing requirements, and a new customs unit was established to conduct on-site inspections of precursor and essential chemicals shipments.

A new organization, Okana, was established in 1994 to expand and improve the country's demand reduction and addict treatment programs. It will introduce methadone drug treatment for the first time in 1995.

**Agreements and Treaties.** Greece ratified the 1988 UN Convention in 1992, and it generally meets the Convention's goals and objectives relating to drug cultivation, distribution, sale, transport, law enforcement, transit cooperation, and demand reduction. Greece passed implementing legislation for essential and precursor chemical controls. However, the GOG needs to enact legislation on asset forfeiture and controlled deliveries of narcotics to fully meet the Convention's enforcement goals. The GOG and the USG have an extradition treaty and an agreement to exchange information on narcotics trafficking, both dating from 1928.

**Law Enforcement Efforts.** Greek and American law enforcement authorities cooperate closely. The GOG routinely honors specific USG legal assistance requests.

The Central Narcotics Council, consisting of representatives of the ministries of Public Order, Finance, and the Merchant Marine, helps to coordinate drug enforcement activities. Authorities seized 240 kgs of heroin in 1994, compared to 38 kgs in 1993, 60 kgs of cocaine versus 5 kgs in 1993, and 6 mt of hashish, compared to 150 kgs in 1993.

The GOG has no laws permitting sharing of seized assets with the USG.

**Corruption.** Narcotics-related corruption is not considered a significant problem in Greece. Greek anti-corruption laws deter public officials from facilitating the illicit production or distribution of drugs, or the laundering of drug money. In September, ten prison guards were charged with alleged narcotics trafficking in prisons.

**Cultivation/Production.** Cannabis is cultivated in small amounts for local use, the only illicit drug produced in Greece. Authorities seized approximately 26,000 marijuana plants in 1994.

**Drug Flow/Transit.** Greece is a transshipment route for heroin and hashish from the Middle East and South Asia to Western Europe, although a small amount goes to the US as well. Nigerian drug organizations smuggle heroin and cocaine through the Athens airport. Larger amounts of drugs are smuggled into Greece in ship containers, on bonded "TIR" trucks, in automobiles, on trains, and in buses. The trucks typically enter Greece via the land crossings between Greece and Turkey, then cross by ferry to Italy. Hashish is also off-loaded in remote areas of Greece and transported to Western Europe by boat or overland.

**Demand Reduction Programs.** The Ministry of Health's demand reduction agency, Okana, coordinates all demand reduction efforts. Okana became operational in July. It develops and administers information and prevention programs, runs therapeutic communities for substance abusers, and coordinates with other agencies working on narcotics treatment and prevention. It plans to open a training school for drug prevention officers (social workers, teachers, psychologists) in early 1995. Okana also runs a program for addicted prisoners, and a substance abuse information center for teachers.

Public education programs against drug use and press reporting on overdose deaths have heightened public awareness of the growing drug problem in Greece.

#### **Part IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG anticipates continued close cooperation with Greek law enforcement agencies. DEA and US Customs provided a number of training programs to Greek officials in 1994. DEA hosts monthly meetings attended by representatives from the Greek Coast Guard, the National Police and Customs, INTERPOL, and narcotics coordinators from foreign embassies. These meetings ensure a useful exchange of law enforcement information.

**The Road Ahead.** The USG plans to negotiate a mutual legal assistance treaty with the Greek government in 1995 to complement existing cooperative arrangements. The US also will offer investigative training opportunities and encourage active Greek participation in international antidrug organizations, including the Dublin Group.

## HUNGARY

### I. Summary

Efforts by drug traffickers to expand and diversify drug operations through Hungary continued to outpace interdiction and other anti-drug activities in 1994. Drug organizations continued to use Hungary as a conduit for smuggling drugs to Western Europe. Both expanded trafficking from opium source countries and improved enforcement were reflected in the number of heroin and hashish seizures in 1994. Hungarian officials believe that drug traffickers also continue to take advantage of the banking industry to launder funds. Although the Government of Hungary (GOH) had made strides toward developing an antidrug strategy in 1993, progress in changing antidrug legislation and increasing law enforcement efforts was hampered by other more pressing concerns in 1994. Antidrug activities continue to be limited by the shortages of trained customs and police personnel and equipment. However, Parliament did pass key legislation on money laundering. The GOH has not yet ratified the 1988 UN Convention, but passage of comprehensive domestic legislation, which will support implementation of the Convention, is pending.

### II. Status of Country

Hungary's location is increasingly attractive to drug smuggling operations from Southwest Asia and Latin America. Police officials note that the total annual amount of illicit drugs crossing Hungary's borders could be as high as 20-25 tons, or about twice the amount of earlier estimates. Authorities believe that most drugs entering Hungary are destined for the more lucrative Western European markets. Increasing amounts of narcotics -- heroin, hashish and some cocaine -- are, however, remaining in the country and contributing to growing domestic drug use. Heroin traffickers are making use of Hungary's modern road and rail transportation systems and the Danube-Rhine canal system, on which river barges from the Black Sea pass through Hungary, to move their illicit cargos westward. Seizure reports indicate that the war in former Yugoslavia is causing traditional Balkan-route heroin trafficking to move to parts of northern Hungary. Seizures of cocaine also underscore Hungary's role as an entry point for drugs originating in Latin America.

Turkish drug trafficking groups continue to spearhead smuggling operations through Hungary. In addition, South American traffickers are making inroads into Hungary and in recent months several Colombian cocaine couriers have been apprehended at Budapest's international airport.

Amphetamine production is on the rise in Hungary, but still of little significance. Hungarian authorities discovered and closed down two small laboratories producing amphetamines for export.

There are no data yet on money laundering in Hungary. However, during 1994 the penal code was amended to make money laundering a crime and banks are now required to report transactions exceeding circa USD 20,000.

The Hungarian Ministry of Health and Welfare notes that domestic drug abuse is rising and abusers appear to be shifting to stronger drugs such as cocaine and heroin. The police discovered the first local heroin distribution network in 1993. Despite these indicators official estimates put the number of drug addicts in treatment under 3,000. Preferred substances of abuse are still organic solvents, prescription drugs, amphetamines, and various types of poppy straw extracts, only quite rarely administered by injection.

### **III. Country Action Against Drugs in 1994**

During 1994 Hungary took important steps to bring it closer to ratifying the 1988 UN Convention and ratification is expected in 1995. The Hungarian Parliament passed key legislation, such as amendments to the penal code and legislation on money laundering. However, draft comprehensive legislation is still under review and pending submission to Parliament. The Inter-ministerial Committee (IDC), which coordinates antidrug efforts in 15 ministries, continued to harmonize Hungarian legislation to meet the requirements of the 1988 UN Convention. The police also approved a strategy for internal control of precursor chemicals, psychotropic substances and legal prescription drugs, which is to be instituted via a ministerial order.

The GOH's narcotics strategy remained to interdict smugglers at its borders, arrest and prosecute narcotics offenders, and prevent the use of narcotics domestically through prevention programs. Sanctions enforcement against the former Yugoslavia continued to draw resources away from drug interdiction. However, modernization of five key border crossings during 1994-95 and additional contributed resources for interdiction and education programs should increase the effectiveness of Hungary's counternarcotics effort.

The amount of heroin seized at Hungary's borders in 1994 (812 kilos), doubled that seized in 1993. Two illicit amphetamine laboratories were discovered and shut down. As a result of enforcement efforts, legal cases are pending on 162 individuals as compared to 62 in 1993. To reinforce interdiction efforts, Hungarian Customs deployed an added five mobile specialized drug squads in 1994, increasing the total by fifty percent, to 15. Ongoing modernization, with contributed funding, is enhancing inspection capabilities at five key border crossings and has provided computers and modern drug testing equipment to help combat crime and control drugs.

The GOH nationwide drug prevention program was expanded in 1994, with several more urban areas establishing multisectoral drug prevention committees.

**Cultivation/Production.** Cultivation of opium poppy for individual consumption, mostly culinary, is traditional. There are 5,500 hectares of licensed plantations under cultivation. In July 1994, 500 kilos of marijuana was seized, reportedly cultivated by a Dutch national in the vicinity of Budapest for export to the Netherlands. Police eradicated 21 cannabis plots in 1994, all reportedly funded by foreigners.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in Hungary.

**Agreements and Treaties.** Hungary is a party to the 1961 UN Convention as amended by the 1972 Protocol, and the 1971 UN Convention. It has signed but not yet ratified the 1988 UN Convention. Legislation is being prepared and adopted to comply with Convention requirements with the possibility of ratification in 1995. Hungary has bilateral antidrug agreements with the U.K. and Sweden. Its Association Agreement with the EC also includes provisions for antinarcotics cooperation and assistance.

#### **IV US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG continues to urge increased GOH attention to the drug problem. In 1995 the USG will continue to promote antidrug cooperation by those nations, primarily in Western Europe, most directly affected by heroin smuggling through Hungary. The USG is also encouraging support from the UNDCP to assist Hungary's customs and police agencies with detection equipment and training.

In 1994 INL funded the participation of Hungarian officials in several law enforcement courses. USIA sponsored several Hungarian officials in drug prevention policy fora and a Hungarian pilot version of USIA-sponsored lifeskills training, which includes information on the danger of drug abuse, was implemented in some 58 Hungarian schools.

**The Road Ahead.** The USG will continue to encourage the GOH to expand drug control activities and to enact the antidrug legislation and establish the institutional capabilities necessary for Hungary to become a party to the 1988 UN Convention. INL will channel most assistance through the UN Drug Control Program (UNDCP) and will continue to provide limited law enforcement equipment to assist the Hungarian government in its antidrug campaign. Additionally, INL will support Hungarian participation in an East European regional demand reduction program in Sicily.

## ICELAND

### I. Summary

Iceland is not an important narcotics producing or transiting country, or exporter of precursor and essential chemicals. The Government of Iceland (GOI) officials believe the number of drug abusers remains small, however they are concerned about the continued abuse of cannabis and amphetamines.

In 1994 the Government of Iceland implemented new anti-money laundering laws and identified a money laundering case for the first time. The case is currently under investigation.

Iceland has not ratified the 1988 UN Convention. The USG provided two new computers to Iceland's law enforcement authorities for counternarcotics activities.

### II. Status of Country

GOI officials continue to be concerned about the use of hashish and amphetamines. Narcotics police believe that hashish, marijuana, and amphetamines can be purchased in most of the bars in Reykjavik.

Iceland is not an important regional financial center and money laundering is not considered a significant problem. The GOI recently implemented anti-money laundering legislation in 1994.

Iceland is not considered a significant producer of or a transit point for precursor and essential chemicals. It has a system of voluntary controls for imports of such chemicals for domestic use.

### III. Country Actions Against Drugs in 1994.

**Policy Initiatives.** The GOI implemented anti-money laundering laws in 1994. The laws were used for the first time in December when a Bahamanian-registered company laundered about ten million dollars through two Icelandic commercial banks. This matter remains under investigation.

**Agreements and Treaties.** Iceland has not yet ratified the 1988 UN Convention, however, it generally meets the Convention's goals and objectives. The GOI plans to seek ratification of the Convention by Parliament after all implementing legislation is in place. Drafting implementing legislation is a slow process, partly due to the small number of officials responsible for drafting the legislation. Iceland is a party to the 1961 Single convention, its 1972 Protocol, and the 1971 Convention. The USG and GOI have an extradition treaty dating from 1902; a supplementary extradition treaty was signed in 1905.

**Law Enforcement Efforts.** GOI and USG law enforcement cooperation is excellent. Iceland's custom service, and national and local police cooperate effectively in narcotics cases. In 1994, authorities seized 369 gms. of cocaine (compared to 69 gms. in 1993), 2 gms. of heroin (the same as in 1993), 783 gms. of amphetamines (compared to 3,375 gms. in 1993) and 20,235 gms. of hashish (compared to 17,699 gms. in 1993). There were no reports of assets seized in 1994.

**Corruption.** Corruption among public officials is not a problem in Iceland. There are no recorded cases of government officials involved in narcotics trafficking-related activities.

**Cultivation/Production.** The USG is not aware of any reported cultivation or production of illicit drugs in Iceland.

**Drug Flow/Transit.** GOI officials believe most illicit drugs which transit Iceland are destined for larger markets in Europe. Most of the drugs are smuggled into Iceland by commercial airline passengers. Small aircraft also are used to transport illicit drugs within and through Iceland. Icelandic authorities believe that small amounts of narcotics from Europe pass through Iceland on the way to the United States.

**Demand Reduction Programs.** The GOI's anti-drug programs emphasize drug abuse prevention. The GOI's Ministries of Education and Health are responsible for Iceland's counternarcotics educational programs. The United States Information Service office in Iceland works with GOI officials in developing drug abuse prevention materials.

#### **IV. US Policy Initiatives and Programs**

In July, the USG signed a memorandum of understanding with Iceland's Justice and Finance Ministries, committing the police and customs for the first time to work together on the Joint Information Coordination Center (JICC) program. In 1994, the USG provided funding to purchase two computers to allow the GOI to expand the JICC program. The USG has now provided three computers to Iceland's JICC as well as JICC computer training courses. JICC equipment allows Iceland's police and customs services to detect suspicious travelers at Iceland's two main airports.

**The Road Ahead.** In 1995, the USG will encourage the GOI to expand its counternarcotics program from using the JICC for information gathering purposes to implementing its own searches and seizures. The USG also will urge Iceland to continue taking the steps necessary to become a party to the 1988 UN Convention.

## IRELAND

### I Summary

Cannabis remains the main drug of abuse in Ireland, however Irish authorities are concerned about growing use of heroin and the synthetic drug "ecstasy". In 1994, Irish law enforcement authorities continued to seize shipments of heroin, cannabis, and synthetic drugs, most of which were in transit to the United Kingdom and continental Europe.

Ireland is neither a significant producer nor importer of precursor and essential chemicals.

In 1994 the Irish Parliament passed a major criminal justice law that makes money laundering a criminal offense and provides for the seizure of proceeds from drug trafficking. This new legislation brings Ireland into compliance with the 1988 UN Convention. Ireland expects to ratify the Convention by mid-1995.

### II. Status of the Country

Cannabis continues to be the main drug of abuse in Ireland, accounting for about three quarters of all arrests and seizures. Irish authorities are concerned about growing use of heroin and "ecstasy". Irish health department officials believe there are 4,000-5,000 heroin users in Ireland. Officials do not have statistics on ecstasy users. However, the Irish national police seized 15,520 ecstasy tablets in the first six months of 1994, more than seven times the amount taken in all of 1993. The Irish police seized crack cocaine for the first time in March 1994, however health officials believe the number of crack users remain small.

Ireland is not an important financial center, and Irish authorities believe little, if any, money laundering takes place in Ireland. Ireland's money laundering laws are in compliance with the 1988 UN Convention and the European Union directive on money laundering.

### Part III. Country Actions Against Drugs in 1994

#### Policy Initiatives.

The Government of Ireland (GOI) is a member of the Dublin Group and is taking an active role in the European Union's new European Drugs Unit established at The Hague in 1994. In September 1994, Ireland participated in "operation piranha," an annual two week multinational maritime operation designed to identify and interdict suspicious vessels during what is the height of the cannabis harvest in north Africa.

**Accomplishments.** A major goal of Ireland's national counternarcotics masterplan was achieved in 1994 with the passage of the 1994 Criminal Justice Act (the "Act"). This new law provides for the seizure and confiscation of the illegal drug trafficking proceeds, makes money laundering a prosecutable offense, requires financial institutions to prevent and assist in the detection of money laundering, and enables Ireland to enter into mutual assistance arrangements with other countries on criminal matters.

**Agreements and Treaties.** The Act conforms to the requirements of the 1988 UN Convention. Ireland plans to promulgate the implementing regulations for the Act before it ratifies the 1988 UN Convention, probably in mid-1995.

**Law Enforcement Efforts.** Primary responsibility for Irish drug law enforcement lies with the 11,000 member national police force. One-third of the force has received training in drug enforcement, and 111 officers are assigned fulltime to this work.

The Irish customs service is responsible for detecting the illegal importation of drugs. Irish customs works with the Irish naval service to intercept ships suspected of carrying drugs. Ireland received \$150,000 from the European Union to purchase five small maritime craft in 1994.

In the first nine months of 1994, Irish authorities seized 1,060 kilograms of cannabis (compared to 4,200 kilograms in 1993), 35 gms. of cocaine (compared to 347 gms. in 1993) and 1,697 gms. of heroin (compared to 1,284 gms. in 1993).

**Corruption.** Narcotics-related corruption among Irish public officials is not a problem. The GOI does not as a matter of policy encourage or facilitate illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. The USG is not aware of any high-level GOI officials involved in the production or distribution of drugs or money laundering.

**Cultivation.** A small amount of illicit drugs is cultivated or produced in Ireland. The GOI seized "a few thousand" cannabis plants in 1994 primarily from people growing them for their personal use.

**Drug Flows/Transit.** Irish authorities believe that much of the cannabis and other drug products which transit Ireland originate in north Africa (primarily Morocco) and are transported to Ireland on recreational yachts and fishing trawlers. The rugged and sparsely populated southwest coast of Ireland provides many landing points for these vessels to unload their illicit cargo undetected. Once the drugs enter Ireland, authorities believe the bulk of the drugs are transported to the UK and to other European countries via container trucks.

**Demand Reduction Programs.** The 1991 counternarcotics plan placed a heavy emphasis on reducing the demand for illicit drugs through education, outreach, treatment, and rehabilitation. Every school in the country is required to have a drug education program and teachers must receive regular training on drug-related matters.

#### **IV. US Policy Initiatives and Programs**

The USG and GOI law enforcement cooperation is good. USG law enforcement authorities assisted Ireland with their drug-related law enforcement training programs.

The GOI has no provisions for the sharing of forfeited narcotics-trafficking derived assets with other governments.

**The Road Ahead.** The USG will work with the GOI to develop a MLAT and will encourage it to ratify the 1988 UN Convention. In the coming year, USG officials also look forward to continued close cooperation with Irish law enforcement officials, and cooperation within the Dublin Group.

## ITALY

### I. Summary

Italian organized crime and South American cocaine traffickers are partners in moving illicit drugs to Italy and to other European markets. Southeast and Southwest Asian heroin transits Italy to Europe and the US. Italian authorities believe heroin use has stabilized, but that the use of cocaine and synthetic drugs has increased.

Italian officials are concerned about continued money laundering activities; they intensified their efforts in 1994 to enforce money laundering laws passed in 1993. Increased law enforcement efforts against the mafia resulted in more drug seizures, the closing of money laundering operations, and the prosecution of some of the organized crime leaders.

Italy became a party to the 1988 UN Convention in 1990, and it is an active participant in the Financial Action Task Force (FATF) and the Dublin Group. Italian enforcement agencies cooperate closely with USG law enforcement agencies.

### II. Status of Country

Heroin consumption in Italy has been stable for the past two years, with an estimated 150,000 to 200,000 addicts. Cocaine use is on the rise, with current estimates of 300,000 to 500,000 users. GOI officials are concerned about increased use of synthetic drugs, particularly "ecstasy", most of which originates in the Netherlands. Law enforcement officials believe drug use would have increased without the 1993 referendum which lifted criminal penalties for the "personal" use of drugs.

Italian organized crime proceeds from drug trafficking and other criminal activities are invested in legitimate sectors of the Italian economy. In 1994, the GOI implemented tough money laundering laws, which enacted in 1993. The money laundering regime has begun to produce significant results.

The GOI maintains strict and effective controls on shipments of precursor and essential chemicals to prevent diversion to illicit drug manufacturers.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** In November, Italy hosted the UN Ministerial Conference on Organized Transnational Crime in Naples. Representatives of 140 countries agreed to greater cooperation to control money laundering, and to integrate laws against organized crime. Prime Minister Berlusconi committed his government to make permanent tough anti-organized crime laws which are to expire in 1995.

Italy was active in multilateral antidrug fora, including the FATF, the Dublin Group and the UNDCP. Italy contributed approximately \$12.5 million to UNDCP in 1994, down slightly from \$15 million in 1993. The GOI promoted its \$4.3 million telecommunications drug trafficking information system which now links 11 Central European countries' law enforcement authorities to share data on drug traffickers.

**Accomplishments.** Tough money laundering legislation passed in 1993 resulted in several successful prosecutions. Nineteen defendants in the joint USG-GOI "Green Ice" operation were given lengthy sentences, including principal Colombian defendants Ospina Vargas and Villaquiran, who received 30 and 25 years respectively. In mid-September, the FBI and its Italian authorities investigated a large international drug importation network (operation "Onig"), resulting in the arrests of 74 suspects in the US and Italy. In December, US and Italian officials announced the completion of a two-year money laundering operation ("Dinero") which resulted in 88 arrests in five countries, and the seizing of \$52 million in narcotics-derived assets and currency.

Italy, as regional Dublin Group chair for the Eastern Europe working group, initiated the formation of several new mini-Dublin groups in the region, including in Prague, Riga, and Vilnius. These are effective in identifying and coordinating donor's drug control assistance to the region.

**Law Enforcement Efforts.** Italy's efficient and effective law enforcement authorities made the largest European cocaine seizure to date: 6.5 mt of cocaine seized in 1994, compared to 1.1 mt in 1993. This increase is attributed to one 5.4 mt seizure in northwestern Italy in March. Heroin seizures increased from 630 kgs in 1993, to over 1,121 kgs in 1994. Italian police seized 759 kgs of marijuana in 1994, down from 1,360 kgs in 1993. Hashish seizures also declined, from 10.6 mt in 1993 to 8.2 mt in 1994. Italian police arrested 28,986 suspects for drug-related offenses in 1994, up from 21,442 in 1993.

**Corruption.** Despite comprehensive investigations of official corruption in Italy over the past two years, there has been no evidence of high-level government involvement in illicit drug activities. There are ongoing investigations of possible links between former officials, including former Prime Minister Giulio Andreotti, and organized crime.

**Agreements and Treaties.** Italy is a party to the 1988 UN Convention; it is generally meeting its goals and objectives, with the exception of strict criminal penalties for drug users. Italy also is a party to the 1961 Single Convention, the 1972 Protocol thereto, and the 1971 UN Convention on Psychotropic Substances. The USG and Italy have a mutual legal assistance treaty, and an active extradition treaty. USG officials believe Italian cooperation on extradition and mutual legal assistance matters is good.

**Cultivation and Production.** There is no production of heroin or cocaine in Italy. A small amount of cannabis is grown in southern Italy, exclusively for domestic consumption.

**Drug Flow/Transit.** Italy is a transit country for Southwest Asian heroin destined for the Italian and European markets, which flows increasingly through the Balkans. South American cocaine transits Italy in increasing quantities, due to closer contacts between Italian organized crime and South American traffickers. Cocaine from Colombia, Argentina and Brazil arrives in Italy in seagoing containers directly from South America and indirectly by truck from Spain and France.

**Demand Reduction.** Italy's local governments, especially in Sicily, have devoted more resources to antidrug civic action campaigns. The GOI emphasizes domestic demand reduction and treatment through a network of drug treatment centers. Internationally, the GOI, in cooperation with the USG and UNDCP, conducts demand reduction workshops at the Eastern European demand reduction training center project in Sicily.

#### **IV. US Policy Initiatives and Programs**

US and Italian cooperation on narcotics control is excellent. US and Italian law enforcement authorities work closely in numerous investigations and operations targeting money laundering, drug trafficking, and organized crime. The Minister of Interior attended the Italian/American working group meetings in Washington in 1994, underscoring Italy's dedication to close bilateral cooperation against organized crime. The USG and GOI will organize international law enforcement training initiatives which emerged from the Naples organized crime conference in November.

**Road Ahead.** The USG will provide training programs related to money laundering to Italian law enforcement officials. The USG also will focus on enforcement cooperation against European, and North/South American drug networks, and coordination of antidrug assistance to Central Europe. The USG will encourage Italy to support multilateral organizations, such as the UNDCP, and to continue active in the Dublin Group, particularly in Central Europe.

## LUXEMBOURG

### I. Summary

Illicit drugs are not produced in Luxembourg, although small amounts of drugs transit the country. Luxembourg authorities believe there are few drug abusers in their country, however authorities are concerned that drug use may be increasing. In 1994, there were 29 drug-related deaths, double the amount in 1993. Luxembourg is an important banking and financial center, and the Government of Luxembourg (GOL) is working aggressively to deter money laundering. The USG and GOL cooperate closely in counternarcotics matters. The GOL participates in a number of international counternarcotics fora, including the Dublin Group and the Financial Action Task Force (FATF). Luxembourg ratified the 1988 UN Convention in 1992.

### II. Status of Country

The GOL does not compile statistics on drug use. However, authorities believe there are approximately 2,000 drug abusers in Luxembourg.

Illicit drug production and trafficking are not significant problems in Luxembourg. Money laundering has occurred in Luxembourg in the past and the GOL considers narcotics-related money laundering a crime. Luxembourg's anti-money laundering laws have been strengthened in recent years.

Luxembourg law provides for asset forfeiture, and the GOL deposited almost \$1 million of forfeited funds to this account in 1994. The funds will be used to finance demand reduction programs in Luxembourg and to facilitate Luxembourg's participation in multilateral antidrug efforts.

The diversion of precursor and essential chemicals to illicit drug manufacturers is not a significant problem in Luxembourg. Luxembourg's Parliament is expected to vote on a comprehensive chemical control law in 1995. The law will bring Luxembourg into compliance with the European Union's directive on chemical control.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** Luxembourg strongly supported the 1994 European Union Commission's new anti-narcotics five-year action plan which emphasizes drug use prevention and provides policy guidelines for EU member states.

In July, the GOL proposed focussing its counternarcotics policy on therapeutic assistance for drug addicts, and reducing emphasis on criminal sanctions for drug use.

**Accomplishments.** In November, the GOL established the "Luxembourg Center for Preventive Action," a public/private organization responsible for coordinating all drug-abuse prevention efforts in Luxembourg.

**Agreements and Treaties.** Luxembourg ratified the 1988 UN Convention in 1992 and is generally meeting the Convention's goals and objectives. The GOL is a party to the 1961 Single Convention and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances.

The GOL and USG have agreed to conclude an extradition treaty in 1995.

**Law Enforcement Efforts.** Luxembourg authorities made 152 drug arrests, the majority of which went to prosecution. High priority continued to be given to counternarcotics law enforcement, and the adequacy of resources was good, with increasing numbers of personnel being hired. In 1994, Luxembourg authorities seized 316 kgs of cannabis (compared to 402 kilograms in 1993), 1 kg. of heroin (compared to 10 kilograms in 1993), and 15 kilograms of cocaine (compared to less than 1 kg. in 1993).

**Corruption.** Corruption among public officials is not a problem. There are no recorded cases of government officials involved in narcotics trafficking-related activities.

**Drug Flow/Transit.** Small quantities of illicit drugs are smuggled into Luxembourg via commercial air and overland from neighboring countries for domestic use.

**Cultivation/Production.** There are no reports of any cultivation or production of illegal drugs in Luxembourg.

**Demand Reduction Programs.** Luxembourg continues to target youths in its demand reduction efforts. Educational programs are administered by the Ministry of Education, the Ministry of Public Health and the Ministry of Justice. The new center for preventative action is expected to improve coordination of and expand preventative education.

#### **IV. US Policy Initiatives and Programs**

The USG did not have programs in Luxembourg in 1994. The GOL and USG cooperate closely on judicial matters, particularly on pending money laundering cases.

**The Road Ahead.** The USG looks forward to continued close law enforcement cooperation with the GOL. In 1995, the USG will encourage the GOL's continued participation in the Dublin Group, and the FATF.

## MOLDOVA

### **I. Summary**

Moldova rates low among the former Soviet Republics in drug-related criminal activity. Nevertheless, 1994 saw an increase in drug-related offenses, drug trafficking, local manufacturing of illegal narcotics and in government efforts to combat all of the above. While the police and security services of Moldova are ill-equipped and poorly trained to handle the increasing burden of counternarcotics work, the national leadership has begun to bolster its efforts to target the problem. In November the Moldova parliament approved several UN drug Conventions. Other initiatives in 1994 included Moldovan membership in Interpol and a nascent effort to enlist regional cooperation and exchange information with its neighbors on narcotic matters. The Government of Moldova (GOM) has made steady progress in recognizing, pursuing and disrupting narcotics trafficking and local cultivation of narcotics in 1994.

### **II. Status of Country**

Drug related information available in Moldova is limited and much of it anecdotal. However, the GOM believes that Moldova currently is a significant transshipment point and that its use as such will dramatically increase in the near future. Authorities note that there is not yet a well developed criminal infrastructure in Moldova and that the sale and financing of drugs within country is now limited. However, as the police and security services increase their efforts to monitor and interdict, we expect the level of known activity will increase. In particular, drug trafficking from Central Asian Republics and locally grown or manufactured narcotics activity are expected to rise significantly.

### **III. Country Action Against Drugs in 1994**

The GOM has begun to recognize the increased drug activity and taken steps to combat it. This year for the first time the GOM identified Central Asian "narcomafia" personnel traveling to Moldova to organize opium and cannabis growers. The GOM responded with a fledgling effort to locate and destroy these illicit crops and a determination to closely monitor this new threat. Almost weekly, the GOM now makes a seizure of locally grown poppy or cannabis and has opened several hundred cases involving narcotics-related offenses.

Efforts at regional cooperation and exchange of criminal information with neighboring countries as well as membership in Interpol are significant achievements in 1994. The GOM expects that Moldova will become an increasingly frequented transshipment point for Central Asian traffickers and is attempting through regional cooperation to augment its ability to monitor and interdict these shipments.

While the GOM has not yet developed a national counternarcotics plan, the Ministry of Internal Affairs now has a special section charged with countering illicit narcotic activity. The GOM is currently engaged in drafting new antidrug legislation.

**Corruption.** The GOM has not yet articulated a policy with regard to official corruption. The USG is unaware of any reports of official narcotics-related corruption in Moldova in 1994.

**Agreements and Treaties.** The Soviet Union was a party to the 1988 UN Convention, the 1961 Single Convention, and the 1971 Convention on Psychotropic Substances. Prior to the dissolution of the USSR, each republic agreed at Alma Ata that it would continue to observe the treaties to which the USSR was a party. Based on these undertakings and the relevant principles of international law, the USG has reached the conclusion that Moldova, as a successor state to the USSR, continues to be bound by these instruments. In November 1994 the Moldova parliament adopted these three UN Conventions, plus the 1972 Protocol to the 1961 Single Convention. The GOM must now make formal notification of this action to the UN.

#### **IV. US Policy Initiatives and Programs**

US goals in Moldova are to increase GOM effectiveness against the narcotics target, to foster increased cooperation among Moldova and its neighbors on narcotics matters and to provide assistance in developing and implementing laws to counter all forms of criminal narcotics activity.

During 1994 the USG provided counternarcotics law enforcement training and two more of these programs will be provided in 1995.

**The Road Ahead.** The USG will encourage Moldavan counternarcotics efforts and will play a key role in providing training, expertise and support to advance GOM implementation of the 1988 UN Convention.

## THE NETHERLANDS

### I. Summary

Dutch policy is to treat drug use as a medical and public health problem with an emphasis on education and demand reduction. The Dutch have long differentiated between "hard" and "soft" drugs, the latter being cannabis products. All commonly abused drugs are illegal in the Netherlands. However, the use of "soft drugs" by adults is "tolerated," and "coffee houses" are permitted to remain open if they sell only cannabis products to adults under certain, strictly enforced, conditions.

Combatting global drug trafficking remains a priority for Dutch authorities. There is also concern about the use of the Netherlands as a transit point for South American cocaine and Southwest Asian heroin destined to other European countries.

The Netherlands has effective laws against money laundering and chemical controls. The GON became a party to the 1988 UN Convention in 1993.

### II. Status of the Country

Under the Dutch Opium Act of 1919, as amended in 1928 and 1976, the possession, sale, transport, trafficking, and manufacture of certain drugs is illegal. Drugs are divided into two classes, those that present "unacceptable risks, hard drugs" (cocaine, opiates, etc.) and cannabis products. The possession of the latter group of drugs is subject to less severe penalties if it is for personal use only. Drug consumption per se is not illegal under this act.

Although the sale of cannabis is illegal, the sale of cannabis in "coffeehouses" is tolerated, if the coffee house does not become a nuisance to the community, advertise, provide adults with more than 30 grams of cannabis for personal use, and/or handle "hard drugs."

The number of heroin addicts in the Netherlands has stabilized. Authorities believe there are about 21,000 addicts in the country, and approximately 600,000 users of cannabis products.

The Netherlands, an important global financial center, is considered a target for money laundering. To counter these activities, the Dutch government passed money laundering legislation which went into effect on February 1, 1994 (see Accomplishments). The legislation is in compliance with the EU directive on money laundering control and corresponds to the Financial Action Task Force (FATF) recommendations.

The Netherlands manufactures some precursor and essential chemicals and is a major transit country for European chemical exports. The Dutch Ministry of Finance investigates potential violations of precursor and essential chemical controls (see chemical control chapter).

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** In 1994 the Dutch Parliament required that authorities more closely supervise operations of "coffeehouses" and place "problem drug users under constraint", that is to give them a choice between prison or treatment.

Dutch money laundering legislation, passed in 1993, went into effect in 1994. It requires all financial institutions to disclose to the Ministry of Finance unusual transactions over approximately \$14,000 or any transactions under that amount which appear suspicious. The number of unusual transactions reported by financial institutions between February and October 1994 was 12,000 (compared to 5,000 in 1991 and 1992.)

The Netherlands is a member of the UN International Drug Control Program (UNDCP), and participates in the Dublin Group in which it is the regional chair for the Caribbean working group. In 1994, the GON contributed approximately \$1.4 million to UNDCP. It also provided bilateral anti-drug assistance to Suriname, Bolivia, and Colombia.

**Accomplishments.** The Dutch Parliament ratified an asset seizure sharing agreement with the USG in June 1994. The USG has not yet received reports of assets shared in 1994.

**Agreements and Treaties.** The Netherlands ratified the 1988 UN Convention in 1993 and is generally meeting the Convention's goals and objectives with the exception of changing its legislation to make illicit drug use per se a crime. The Dutch actively cooperate with the USG in law enforcement matters under the 1983 US-Netherlands Mutual Legal Assistance Treaty (MLAT).

**Law Enforcement Efforts.** The USG and the GON have cooperative agreements on extradition, mutual legal assistance, and asset seizure sharing. Official drug seizure statistics for 1994 have not yet been released, but preliminary Dutch customs and press reports indicate that over seven tons of cocaine were seized in 1994, more than double the 3,720 kilograms seized in 1993 and a larger total than any other European country. In 1994, heroin seizures appear to be down compared to high level (916 kgs.) in 1993.

In October, the Royal Netherlands Navy conducted their first trial deployment with US Coast Guard personnel for counternarcotics patrols in the Caribbean. Despite this cooperative effort, no seizures were made. Future trial deployments have been scheduled for 1995, while a formal agreement is negotiated.

**Corruption.** Drug related corruption among Dutch public officials is not a problem. The Netherlands does not as a matter of policy encourage or facilitate the illicit production or distribution of drugs or other controlled substances or the laundering of drug money. There were no reports that senior GON officials were engaged in the production or distribution of drugs or involved in money laundering activities.

**Drug Flow/Transit.** The Netherlands' excellent transportation infrastructure, including, Rotterdam (the world's largest container port), makes it an attractive drug and chemical transshipment point. Dutch authorities are concerned that the Netherlands has become an important transit point for South American cocaine and Southwest Asia heroin, much of which follow trafficking routes across the former Soviet Union and Eastern Europe.

**Cultivation/Production.** Dutch authorities are concerned about marijuana grown for personal use. In 1993 Dutch authorities seized 194,413 marijuana plants. The Netherlands is a prime illicit producer of "ecstasy" which is exported and also used in the Netherlands. In 1993, twelve laboratories which were producing "ecstasy", amphetamines, and LSD were closed. Additional labs were detected in 1994, but 1994 statistics on the total number have not yet been released.

**Demand Reduction Programs.** Drug use is considered a health problem in the Netherlands and Dutch demand reduction activities are among the most comprehensive in the world. School and public awareness programs label cannabis products as substance health hazards. Addicts are offered methadone maintenance and other treatment programs, including free hypodermic needles to help prevent the spread of AIDS. Dutch officials believe they assist about 75 percent of current addicts in the Netherlands and supply 7,000 heroin addicts with methadone on an average day.

#### **IV. US Policy Initiatives and Programs**

USG and GON Law enforcement cooperation is good. The USG offers opportunities to GON authorities for anti-drug related training on a self-funded basis. The GON is working closely with the USG to strengthen the existing asset sharing agreement and Mutual Legal Assistance Treaty. Continued active Dutch participation with the USG on counternarcotics activities through multilateral organizations such as the UNDCP, the Dublin Group and the Council of Europe will further broaden USG and GON drug control cooperation.

**The Road Ahead.** The USG will continue working closely with the Dutch on counternarcotics activities, including enhancing our maritime cooperation in the Caribbean. We will also increase our cooperation with the Dutch, as chair of the Caribbean region in the Dublin Group, particularly in supporting the actions of the Caribbean nations in controlling drug trafficking and money laundering. We will also encourage an active Dutch role in the UNDCP and other international counternarcotics efforts.

## NORWAY

### I. Summary

Narcotics production, money laundering, and diversion of precursor chemicals are rare. Norwegian officials believe that Norway is increasingly becoming a transit country for drugs from Central Europe and are concerned about the potential for narcotics smuggling from Russia in Norway's northernmost districts.

Drug usage and associated violence, although less a problem in Norway than it is in many European countries, is nonetheless troublesome. Deaths from heroin overdoses reached a record high in 1994 as the result of an abundant and cheap heroin supply.

The Government of Norway (GON) views drug abuse as a health problem and provides extensive drug treatment programs through the social welfare system.

Norway ratified the 1988 UN Convention in 1994. It is a member of the Dublin Group, and cooperates with international counternarcotics efforts.

### II. Status of Country

In the first six months of 1994, GON authorities seized eight times as much heroin, twenty times as much cocaine, and one hundred times as many amphetamines as in 1993. Many Norwegians blamed Oslo's immigrant groups for the increased problem, complaining that smuggling is widespread among young African and Colombian men.

Production of illicit drugs, money laundering, and control of precursor chemicals are not significant problems in Norway. Nonetheless, Norway, like many other wealthy, democratic societies, is an attractive market for narcotics. Among Norwegian youth, hashish has been the drug of choice for many years. The second most popular drugs are hallucinogens, particularly LSD and ecstasy. Cocaine and heroin are less popular, however 73 reported heroin-related deaths occurred in Oslo in 1994, surpassing the 1993 total. Many of the deaths, according to Oslo police, resulted from resumed use of heroin following a period of abstinence.

Norway is not a major world financial hub and money laundering is a criminal offense. Suspected money laundering activities are adequately investigated by a special police unit on economic crime (ECOKRIM).

Norwegian customs officials monitor movements of key narcotics chemicals and cooperate actively with Norwegian chemical companies, who notify authorities of suspicious purchases and orders. The regulations and practices of Norwegian customs satisfy the requirements of the chemical control provisions of the 1988 UN Convention.

### III. Country Actions Against Drugs in 1994

Norway is a member of the Dublin Group, and the Pompidou Group which it has chaired since 1991. Norway is a member of Interpol, the Customs Cooperation Council, the Nordic police and customs initiative (PTN), and the Nordic Coordinating Council on drug abuse. Norway contributes \$750,000 annually to the UN International Drug Control Program (UNDCP). Additionally, through the Nordic "Pompidou Group," Norway contributed \$450,000 in 1994 for a narcotics education project in Central Europe.

In response to an abundance of cheap narcotics and increased drug-related deaths, the Ministry of Justice launched an offensive against the illegal drug trade. The police started investigating distribution channels in Norway, including certain pubs and night clubs where drug dealing was suspected.

**Agreements and Treaties.** Norway ratified the 1988 UN Convention in 1994 and is in full compliance with its objectives. Norway also is a party to the 1961 Single Convention, as amended in 1972, and the 1971 Convention on Psychotropic Substances. Norway has bilateral customs agreements with the United States, most European countries and Russia. Norwegian customs liaison officers are posted in London, Madrid, Islamabad, and Karachi.

**Law Enforcement Efforts.** Norway's law enforcement efforts are effective. In the first six months of 1994, Norwegian police arrested 111 persons for narcotics-related violations. Seizures for the same period included 89 kilos of hashish, 12 kilos of heroin, 11 kilos of amphetamines, and 461 tablets of ecstasy. GON authorities believe that the average street price for heroin in Oslo fell to \$150 per gram in 1994, a 30 percent drop compared to 1993.

Norwegian law authorizes the seizure of assets, and the value of such seizures increased in recent years. The law allows the sharing of assets seized in connection with a foreign prosecution with other countries.

**Corruption.** Official corruption, punishable under Norwegian law, is unusual. Law enforcement authorities note that police are instructed to take a "big picture" view of narcotics control, that is, connect drug-related criminal activities with theft, assault, and tax evasion.

**Drug Flow Transit.** Major sources of illicit drugs in Norway are Pakistan, Afghanistan and the golden triangle for heroin and cannabis; Latin America for cocaine; and the Netherlands and Poland for LSD. Most of the drugs transit Central Europe. Norwegian authorities are concerned about the potential for illegal trafficking from Russia and are skeptical of the ability or willingness of the Russian police to deal with narcotics smuggling.

**Cultivation/Production.** Aside from a small amount of illicit amphetamine production, drugs are not known to be produced or cultivated in Norway.

**Demand Reduction Programs.** Norway views drug abuse as primarily a health/social problem rather than a law enforcement problem. The GON provides treatment to drug addicts and its treatment centers are funded centrally but administrated locally. Officials note that drug prevention programs, especially school programs aimed at young people, are lacking.

The GON reacted strongly to a recent recommendation to decriminalize heroin, cocaine and cannabis in Norway, citing the UN narcotics committee's opposition to drug legalization and "failed" experiments in the Netherlands and Switzerland. Norwegian health experts have asked the GON to consider distribution of clean needles to heroin users, including convicts in detention centers. In 1994 Norway began a trial methadone treatment project at an Oslo hospital.

#### **IV. US Policy Initiatives and Programs**

The USG looks to build already good counternarcotics law enforcement cooperation with the GON. In 1994, the USG had no counternarcotics programs in Norway.

**The Road Ahead.** The USG will encourage Norway, along with other European countries, to expand their efforts to assist the anti-drug efforts of the Newly Independent States of the former Soviet Union.

## POLAND

### I. Summary

Drug traffickers use Poland for storage and transshipment of drugs, as an amphetamine producer and as an expanding market for their drugs. A record seizure of over one ton of cocaine in 1994 underscores the increasing efforts by South American drug barons to use Poland as a transit point for smuggling cocaine to West European markets. Southwest Asian heroin trafficking networks are continuing their efforts to expand routes through Poland to smuggle heroin to Western Europe. Poland remains a major producer of amphetamines. While cultivation of opium poppy persists at traditional levels, an increased interest in cannabis cultivation has been detected over the last two years. Domestic drug abuse is also increasing and heroin and cocaine are become more available in the big cities. The Government of Poland (GOP) has begun to take action against the escalating drug problems, including ratifying the 1988 UN Convention. However, domestic legislation still permits possession of drugs and lacks key enforcement provisions, making arrests and convictions for drug-related activities difficult. The GOP's antidrug efforts have been limited by manpower and resource shortages. The Polish police are struggling to combat crime with a budget that has fallen in real terms every year since 1990.

### II. Status of country

Increased drug seizures, including a sevenfold increase in cocaine and fivefold increase in heroin seized in 1994, reflect Poland's improving interdiction efforts but also underscore efforts by drug trafficking organizations to exploit Poland as a transit area. These seizures include a recent shipboard seizure at an English port of over one ton of cocaine destined for Poland. This was an accomplishment of a joint Polish/English police action. It also illustrates the Colombian Cali Cartel's smuggling of cocaine to Western Europe through Poland by sea and in general cargo. Authorities believe that large quantities are stored in facilities in Poland, then repackaged and shipped in smaller quantities to Western Europe and, in several cases, the United States.

Heroin trafficking groups are also using routes through Poland to circumvent the war in the former Yugoslavia. Heroin comes across the Black Sea from Turkey, and then across Ukraine or Belarus and Poland by car or truck. Polish police estimate that as much as 500 kilos of heroin were smuggled in this manner in the first half of 1994.

Poland also continues as a drug producer. West European authorities are concerned that 20 percent of the amphetamines used in Western Europe come from Polish criminal organizations. GOP regulations are not adequate to prosecute persons engaged in amphetamine production. Furthermore, there are few controls on chemical exports and there are chemists willing to engage in this illicit production. There are reports of amphetamine production in universities and hospitals, although most production appears to take place in clandestine laboratories.

Independent drug abuse experts estimate there are 100,000 drug addicts in Poland, with twice as many casual users and perhaps three times as many marijuana users. According to these estimates, half of the drug addicts are HIV positive, and needle sharing is the leading cause of AIDS in Poland. Although kompot, a locally produced poppy straw derivative, is the most prevalent drug in Poland, amphetamine use is becoming increasingly widespread. Police also report availability of cannabis, and cocaine and heroin in large cities.

Polish authorities believe that Poland is not a significant money laundering center and that most laundering activities are related to tax evasion and criminal activities other than narcotics. A new law was passed by the Sejm in 1994 making money laundering a criminal offense. It still requires the approval of the Senate and the President. This new law is supported by regulations already in place that require banks to know and record the identity of their customers and to report suspicious transactions.

### **III. Country Actions Against Drugs in 1994**

The GOP bolstered its antidrug campaign in 1994, including ratifying the 1988 UN Convention. A 1994 law will make money laundering a criminal offense once it receives Senate and Presidential approval. The Minister of Justice recently formed an interagency counternarcotics committee that is drafting new antidrug legislation to enhance efforts to prosecute drug traffickers.

However, the legislation does not criminalize drug possession or address areas of police operations such as wiretapping and undercover operations. Currently, Polish authorities are precluded from using paid informants and police officers cannot participate in undercover operations. Wiretapping and controlled deliveries are legal only under special circumstances. Suspected traffickers can only be prosecuted for bringing drugs into Poland, or manufacturing illegal drugs. Possession for personal use is not penalized, and traffickers have successfully claimed even large quantities as personal stocks.

Despite a declining budget, the National Police created an Organized Crime Unit that has 300 officers and continues to expand. To date, however, the Organized Crime Unit has concentrated primarily on car theft and racketeering. Despite these drawbacks, Polish narcotics police played an instrumental role in a record seizure of 1,200 kilos of cocaine loaded on a Polish ship in Venezuela and seized in England by British authorities. Polish authorities were also able to prosecute the perpetrators. Eradications of illegal poppy plantations rose 60 percent from 1993, and 16,000 cannabis plants were destroyed in 1994.

**Cultivation/Production.** Polish law permits the cultivation of opium poppy subject to established controls. Farmers are required to register their licit fields with the Ministry of Agriculture. Only low morphine strains are legal and farmers are required to sell poppy straw to the government. However, enforcement is lax and many farmers continue to self-seed older, more potent varieties, and there are also unlicensed poppy fields aimed at illegal drug production. GOP officials note that the poppy straw concoction "kompot" is produced throughout Poland. Kompot is a homemade mixture of boiled poppy straw or morphine base that some experts believe causes the same effects as heroin.

Marijuana cultivation has been discovered over the last two years, both for export and for domestic consumption. However, Polish police are optimistic that Poland's short growing season and lack of sunshine are inhospitable enough that marijuana cultivation will not become a serious problem.

**Corruption.** The United States Government is unaware of any reports of narcotics-related official corruption in Poland.

**Agreements and Treaties.** The GOP ratified the 1988 UN Convention in 1994. Poland is a party to the 1971 UN Convention and the 1961 Single Convention, and its 1972 Protocol. The new law on dangerous drugs being drafted by an interagency committee should permit full compliance with the UN Conventions and the 1972 Protocol. Polish police authorities are developing working contacts with western law enforcement agencies, especially Germany, the United Kingdom and the US, as well as with their central and eastern European neighbors.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG increased cooperation with Poland's antidrug agencies in 1994. The USG provided INL-funded training assistance in 1994 for Polish law enforcement and drug abuse prevention officials. DEA and US Customs are cooperating with Polish authorities on operational matters and will continue to do so in 1995.

The USG will continue to promote increased GOP attention to the drug problem. Additionally, the USG will urge antidrug cooperation by those nations, primarily in Western Europe, most directly affected by heroin smuggling through Poland. The USG is also continuing to encourage support from the United Nations Drug Control Program (UNDCP) to assist Poland's customs and police with detection equipment and training.

The USG will continue to encourage the GOP to pass antidrug legislation and to establish effective institutions to enforce those laws. During 1995, the USG will focus its support on urging Poland to implement fully the 1988 UN Convention and to give more attention to enhancing effective law enforcement.

## PORTUGAL

### I. Summary

Portugal is an important transit point for cocaine from South America, heroin from Southwest Asia, and hashish from northern Africa (primarily from Morocco) destined for Western Europe. Portuguese officials are concerned about continued illicit drug consumption (especially heroin) and trafficking. Enforcement of drug laws was strengthened in 1994 by the designation of the Judicial Police (PJ) Narcotics Section as the lead coordinating agency for all narcotics-related investigations.

Some chemicals used to manufacture illicit drugs are produced in Portugal, but diversion to drug traffickers is not considered a problem.

Authorities believe money laundering occurs. Several money laundering cases are currently under investigation under the Portuguese anti-money laundering laws passed in 1993.

Portugal ratified the 1988 UN Convention in 1991. The Government of Portugal GOP is a member of several international drug control organizations, including the Dublin Group. The European Monitoring Center for Drugs Abuse in Lisbon, which will gather drug use information from European Union member states, became operational in 1994.

### II. Status of the Country.

The GOP does not maintain statistics on drug use, Portuguese authorities believe drug use has stabilized. In 1993, authorities estimated that there were approximately 50,000 drug users, mostly heroin addicts.

The European Union's (EU) Center for Drugs and Drug Addiction, located in Portugal, began operation in 1994. The Center gathers and analyzes statistics provided by EU member states on drugs, addiction and the causes of drug addiction.

Money laundering legislation enacted in 1993 has allowed narcotics officials to initiate investigations of several corrupt business, cash/currency exchanges and banking establishments. Although none of these investigations are yet complete, the fact that they are ongoing indicates the government's intentions to control money laundering.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** GOP officials plan to form an inter-agency task force to identify and target major narcotic traffickers. The task force would combine investigative resources of various police agencies to improve investigations of illicit drug trafficking. Portugal is also active in the European Police Organization (EUROPOL) which is located in the Netherlands, and assigned law enforcement personnel to the organization in 1994.

**Accomplishments.** In 1994, the Judicial Police (PJ) Narcotics Section was designated as the lead coordinating agency for all narcotics-related investigations. Prior to 1994, a lack of coordination of narcotics related investigation by various GOP agencies resulted in wasted resources and unsuccessful investigations.

**Agreements and Treaties.** Portugal ratified the 1988 UN Convention in 1991 and is meeting the Convention's goals and objectives. The GOP also is a party to the 1961 Single Convention, the 1972 Protocol, and the 1971 Convention. The USG and GOP have an extradition treaty dating from 1908.

**Law Enforcement Efforts.** Portuguese and US law enforcement cooperation is good. The GOP routinely honors specific USG legal assistance requests. GOP law enforcement authorities believe drug trafficking has stabilized. In 1994 authorities seized 1,600 kilograms of cocaine, 76 kilograms of heroin, and 13 kilograms of marijuana. Authorities also seized 36 metric tons of hashish in 1994.

**Corruption.** Corruption by government officials is not considered a problem. The GOP does not as a matter of policy or practice encourage or facilitate the illicit production or distribution of drugs or the laundering of money. Portuguese authorities reported no cases of drug-related corruption among high-level officials in 1994.

**Drug Flow/Transit.** The lack of efficient border controls and the nation's lengthy coastline make Portugal an attractive transit point for drugs from South America to the rest of Europe. Portugal's close cultural, linguistic, and historic ties to Brazil and the former Portuguese colonies in Africa attract traffickers from those countries to Portugal. Hashish from Morocco transits Portugal to the larger European markets. Most of the drugs arrive by ship.

**Cultivation/Production.** Cultivation or production of illicit drugs is not considered a problem in Portugal. The USG is not aware of any significant production.

**Demand Reduction Programs.** The GOP's National Drug Policy Council coordinates six ministries involved in demand reduction and treatment programs. The programs emphasize drug abuse education, treatment and family support for drug abusers.

#### **IV. US Policy Initiatives and Programs**

The USG sponsored training for Portuguese officials in 1994, including two money laundering courses. Officials also attended courses on analysis of drug-related intelligence.

Several USG sponsored trips to the United States for key GOP law enforcement officials for counternarcotics investigative training also occurred.

**The Road Ahead.** The USG looks forward to continued good counternarcotics cooperation with the GOP. During the coming year, the USG will urge the GOP's continued participation in the Dublin Group and other international organizations.

## ROMANIA

### I. Summary

Romania has become a key transshipment point for heroin destined for western Europe. Drug traffickers increased their efforts to smuggle illicit drugs through Romania in 1994. Moreover, the volume of illicit narcotics including heroin, cocaine, opium, hashish and cannabis seized in Romania and the number of drug trafficking-related arrests increased significantly in 1994. With the continuation of the war in the former Yugoslavia limiting transit to Western Europe by traditional routes, drug smugglers have expanded air, land, and sea routes through Romania. The Romanian police and security services' interdiction efforts were hampered by limited resources, alleged corruption, disorganization and weak penalties for drug trafficking.

### II. Status of Country

Romania is a rapidly emerging major transit point for drug smuggling, particularly heroin, from Turkey and Bulgaria to Western Europe. Romania's geographical location and the war and instability in former Yugoslavia, a lax judicial system, corruption within the police and security services and a liberal entry policy all fuel drug smuggling through Romania. Trafficking operations are exploiting rail and sea cargo as well as trucks ferried by sea from Istanbul. The Danube canal system is also used to move drugs on river barges from Black Sea ports into Germany. Air routes into Sofia are vulnerable to entry of cocaine originating in South America and heroin from Thailand.

Opium poppy and cannabis are grown in small quantities in Romania for culinary and household use. Romanian anti-drug units investigated reports of cannabis cultivation in western Romania, but no arrests were made.

Money laundering is also on the rise. Although information is limited, Romanian authorities report increased involvement of Italian organized crime and Chinese and South American criminal groups in money laundering operations. However, Romania's limited financial system will impede large amounts of illegal capital from being laundered through Romania in the near future.

### III. Country Action Against Drugs in 1994

As the Government of Romania (GOR) struggles with inflation, unemployment, and other major economic problems, drug control has not yet become a high priority concern. Nevertheless, the Romanian police, customs, and security services all have established counternarcotics departments and investigative programs and operations. These departments and senior GOR officials are pushing for stricter law enforcement, controls for monitoring financial transactions, anti-corruption initiatives and tougher penalties for trafficking to comply with the UN Conventions to which Romania is a party. These efforts, however, have not progressed beyond parliamentary discussion and debate.

The bulk of Romanian anti-drug work in 1994 focused on investigating several small-time heroin and cocaine operations. The result was the break up of small organizations and approximately 30 drug seizures in 1994. These included hashish and cannabis, 12,700 kilos; opium, 15 kilos; heroin, 415 kilos; cocaine, 137 kilos; and morphine, 278 vials. The vast majority of these narcotics were discovered in vehicles or private residences.

**Corruption.** Romania has yet to formulate a policy and take action against official corruption, which is alleged to be a serious problem. Nevertheless, the USG is not aware of any reports of official narcotics related-corruption in Romania in 1994.

**Agreements and Treaties.** On January 21, 1993, the GOR became a party to the 1988 UN Convention and to the 1971 UN Convention on Psychotropic Substances. It is also a party to the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol. The GOR is engaged in developing the institutional framework and legal requirements necessary for effective implementation of the Conventions.

#### **IV. US Policy Initiatives and Programs**

The USG continues to encourage antidrug cooperation by those nations, primarily in Western Europe, most directly affected by heroin smuggling through Romania. The USG also supports the United Nations Drug Control Program's (UNDCP) assistance to Romania's customs and police services.

The USG continued to provide modest INL-funded assistance -- through the US Drug Enforcement Administration (DEA) and the US Customs Service -- for Romanian law enforcement and customs officials.

**The Road Ahead.** The USG will continue to encourage the GOR to expand its drug control activities and to establish the necessary legislative and institutional capabilities to fulfill the goals and objectives of the UN Conventions to which it is now a party. In addition, the USG will urge the GOR to give more attention to creating a cadre of professional law enforcement officials to target drug problems and will continue to provide limited law enforcement and demand reduction training and equipment to assist Romania's anti-drug efforts.

## RUSSIA

### I. Summary

In Russia in 1994, drug trafficking with its consequent problems continued to increase. The most prevalent drugs in Russia -- traditionally hashish, marijuana, opium, poppy straw and pharmaceuticals -- now include cocaine from Colombia, heroin, and drugs such as ephedrine, pervitin, methadone, phencyclidyn, phentanyl and trimethyphentanyl. Drugs coming into Russia from abroad in 1994 increased to 47 percent of the entire amount of confiscated drugs, compared to 33 percent in 1993. Russian Government (GOR) authorities note that the drug trade is becoming increasingly organized and professional and that the very high prices paid for heroin and cocaine in Russia are attracting the attention of international drug barons. Another trend is the local production and widespread distribution of psychotropic substances, which flourish despite GOR efforts to close down clandestine laboratories. Laws and legislation based on UN models and supporting more effective law enforcement are in progress in the executive and parliamentary branches of government. While the GOR is increasing efforts to expand its antidrug campaign, clear results remain to be seen.

### II. Country Status

Illicit drug interests are exploiting Russia's geographical location and its vulnerable borders, attempting to cash in on its potentially huge and lucrative market. The availability of opium poppy and chemical raw materials beckon illicit drug producers, as do the large number of underemployed chemists and pharmacologists and a well developed system of research institutes and laboratories. Incomplete anti-narcotics legislation and lack of personnel and equipment in law enforcement bodies also attract the attention and initiative of drug traffickers.

New trends in trafficking emerged in 1994, including heroin smuggled from Southeast Asia by sea through Vladivostok and by land from Mongolia. Trafficking groups from southern Siberia maintain networks in the Kyrgyzstan city of Osh, a key location on the new trafficking route for Afghan heroin through Tajikistan. In Primorski Kray, in the far east of Russia, GOR authorities apprehended a North Korean heroin smuggling ring. According to Russian officials, the Colombian Medellin drug cartel has already visited Moscow and has reportedly stationed permanent agents there. Representatives from local criminal organizations have likewise traveled to Latin America.

Moscow continues the USSR ban on opium poppy and cannabis cultivation. However, illicit cultivation and production, particularly of poppy straw in southern Russia, together with illicit imports from neighboring Ukraine and the Central Asian States account for the greater part of all drug seizures in Russia.

Although most information is anecdotal, the illicit manufacture and trafficking of psychotropic substances is another growing threat in Russia. The most popular of these substances is trimethylfentanyl, which was invented by four chemistry students at Kazan University in 1990. Its popularity is confirmed by a growing number of clandestine laboratory seizures. Recently, illicit Russian laboratories began producing trinisillintoline, which until now had only been manufactured in the United States.

On a positive note, clandestine manufacturing of ephedrone and pervitin, which was first detected in 1986, is almost completely extinguished. Controls on licit ephedrine have been tightened and are strictly enforced. Over-the-border trading in precursor chemicals is enforced through a well developed licensing system. However, Russian authorities have notified the USG regarding exports in 1994 of the precursor benzyl methyl ketone (P2P).

Money laundering is a major drug concern. Russian efforts to curb money-laundering have been confounded by an antiquated financial system which easily permitted criminal groups to set up their own banks. As a counter-measure the minimum capital requirement for a bank was increased in 1994 from USD 50,000 to USD 1.27 million, and is planned to reach USD 5.5 million by 1999. Only a small percentage of all currently licensed banks meet the 1994 requirement. New banking regulations came into force in January 1994 which require commercial banks to report transactions exceeding USD 10,000 to the Central Bank.

### **III. Country Action Against Drugs in 1994**

Based on the State Drug Control Policy adopted in July 1993, an Interministerial Committee on Controlling Drug Abuse and Illegal Drug Dealing was established in July 1994. The Committee includes 29 ministries and departments and is to provide coordination of the ministries combatting illegal drug and control activities in this field. The Committee prepared a comprehensive federal program on controlling drug abuse and drug dealing for 1995-97, still to be discussed at the State Duma, which sets forth guidelines in the following fields:

- development of national anti-drug legislation;
- prevention of drug abuse;
- treatment and social rehabilitation of drug addicts;
- security controls for legal drug production and distribution
- control of illicit drug trafficking.

The Ministry of Internal Affairs (MVD) has 3,500 agents working exclusively on narcotics issues (the same level as in 1993). It is understood that the MVD could not recruit an additional 1,000 agents planned for 1994 due to a poor response attributed to the low salary offered to beginning agents.

GOR authorities seized 50 tons of illicit narcotics in 1994. Reported crimes associated with drug trafficking numbered around 75,000 in 1994, a 50 percent increase over 1993, and the GOR estimates that this is only 10-15 percent of the total. Total illegal drug circulation is estimated at hundreds of billions of rubles (USD 1 was equal to 3,500 rubles as of the end of December 1994).

Domestic drug abuse is supported mostly by opium poppy and cannabis growing wild or cultivated in Russia, the neighboring Ukraine and the Central Asian States. Poppy straw accounted for 35 of the 50 tons of seized narcotics in 1993. The MVD's general operation MAK (poppy)- 94, aimed at cutting off sources and channels for trafficking all vegetable-origin narcotics, was described as successful.

**Corruption.** The USG is aware of no reports of drug-related corruption in the political elite. However, there are numerous reports that various political figures and parties are funded partly by organized crime groups, some of which are involved in drugs trafficking.

Although direct linkage between political contributions, drugs and government officials is murky, there are credible reports that criminal groups spend 30 to 50 percent of their gross profits on bribes to government officials, especially customs and police officers. The State Duma adopted a law in October 1994 designed to prevent state bureaucrats from abusing their positions by requiring them to submit an annual declaration of their personal income and assets. It is unclear how this law will be enforced.

**Agreements and Treaties.** Russia is a party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs unamended, and the 1971 Convention on Psychotropic Substances. While some progress has been made, the GOR must take additional action in order to meet more fully the goals and objectives of the 1988 Convention. The GOR submitted two draft laws to the State Duma in late 1993 on legal drug circulation regulations and illicit drug trafficking control. Once adopted, they will introduce stiffer penalties against those convicted of drug-related crimes. The proposed legislation has not moved forward at the Duma.

#### **IV. US Policy Initiatives and Programs**

There was a much publicized visit in July by the US FBI Director, followed by the US Interagency Anti-crime Cooperation Delegation visit in October. As a result of these visits closer ties between the law enforcement bodies of the two countries have been established and training programs to combat international organized crime, financial crime and narcotics trafficking have begun. In addition, the US and Russia are negotiating a mutual legal assistance agreement to promote cooperation in criminal matters.

Five Russian detector dog officers participated in training in the US in 1994, and were later deployed in their respective areas with their partner American dogs. In November the Financial Action Task Force (FATF) team held a series of meetings with GOR agencies and officials to review the suggestions against money laundering made by the FATF in 1993. Numerous seminars and workshops were funded by INL and conducted by DEA in 1994.

**The Road Ahead.** In a continuing effort to encourage Russia in narcotics controls, the USG with funds from the Freedom Support Act and INL will provide the following training courses for Russia's anti-narcotics law enforcement agencies in 1995:

## SLOVAK REPUBLIC

### I. Summary

The Slovak Republic recognizes that it is vulnerable to drug interests in the region, and is bolstering its antidrug apparatus. There is little information available on the extent of trafficking or on the overall drug situation, but West European authorities report that much of the heroin seized in southern Germany and Austria passes through the Slovak Republic. Additionally, West European authorities believe that illicit amphetamines seized in Western Europe are produced in Slovakia, but solid information is limited.

Despite a change in the regime, the efforts of the Government of the Slovak Republic (GOSR), backed by high-level support, to develop a counternarcotics strategy are beginning to pay dividends. In 1994, the government enacted crime legislation which included strong drug control provisions, including penalties for narcotics possession and authorizing controlled deliveries. The government restructured the police force to improve coordination, and released a national drug program. Even with these advances, however, seizures of illicit narcotics totalled less than 100 grams. Interdiction operations are expected to increase with the help of stronger legislation. These efforts should help the Slovak Republic to meet the goals of the 1988 UN Convention. The GOSR assumed all treaty and other international obligations of the former Czech and Slovak Federal Republic, including the 1988 Convention.

### II. Status of Country

The Slovak Republic's location and its lack of effective border controls leave the country open to Turkish and other drug networks that have smuggling operations in the region. According to the central drug service report and Western law enforcement authorities, opiates from Central Asia are smuggled via Ukraine. Meanwhile, Slovak authorities are concerned about the vulnerability of Slovak's well-developed chemical and pharmaceutical industries. Currently all licit narcotics issues, including licensing of export/import controls and the drug prescription system, are handled by one official in the Ministry of Health. Plans to privatize the industry could play into the hands of drug trafficking organizations seeking ownership of the means to produce illegal narcotics or precursor chemicals. Because the banking sector is still very modest, Slovak officials believe that drug money laundering operations are limited.

Health authorities believe that drug abuse may be increasing, but there are few supporting statistics. The Bratislava-West Slovakian region reported a ten-fold-plus increase in the number of heroin addicts referred for treatment in 1992-93; other regions also have reported substantial increases, according to the UNDCP.

### III. Country Action Against Drugs in 1994

**Policy Initiatives and Accomplishments.** The GOSR's increased commitment to drug control resulted in several significant policy changes during the last quarter of 1994. These included revamping the criminal code, the development of a national antidrug plan, and the restructuring of the National Police Force.

The new criminal legislation which went into force in October made significant changes in the Slovak criminal and penal codes, and will enhance the ability of law enforcement agencies to investigate, arrest, and prosecute drug criminals. The new legislation includes provisions for undercover operations, criminalizes drug possession and money laundering, and includes controls for precursor and essential chemicals used in illicit narcotics production.

In November, the GOSR announced a comprehensive antidrug plan which targets trafficking and drug use.

The National Police was reorganized in August into three administrative structures, one of which included a new drug squad. The result is a more streamlined command structure and better coordination between specialized police units.

**Law Enforcement.** Despite severe resource restrictions, and a previously inadequate criminal code, the police conducted limited antidrug operations during the year. The National Police arrested 32 suspects for drug related offenses. The new legislative tools and a variety of assistance programs are expected to bolster the effectiveness of the national police in 1995. Moreover, the new National Drug Program calls for increased coordination between Slovak enforcement agencies and increased regional cooperation.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in the Slovak Republic. There is some concern within law enforcement circles that officials in the ministries of Finance or Privatization may be willing to turn a blind eye to investments by crime organizations in the Slovak Republic's pharmaceutical or chemical industries. There were no reports of such cases in 1994, and the changes to the criminal code which took effect in October address many of these areas, expanding enforcement authority to investigate and prosecute corruption cases.

**Agreements and Treaties.** The Slovak Republic intends to honor all obligations and treaty commitments of the former Czech and Slovak Federal Republic, including adherence to the 1988 UN Convention, the 1961 Single Convention, the 1972 Protocol thereto, and the 1971 UN Convention on Psychotropic Substances. The bilateral extradition treaty between Czechoslovakia and the United States remains in force and, in effect, has been updated to encompass drug-related offenses through the Slovak Republic's adherence to UN conventions.

**Cultivation and Production.** Authorities believe that there is extensive production of illicit amphetamines, but evidence is anecdotal, or from press reports. There are no indications of opium poppy cultivation, and only minimal cannabis cultivation in private greenhouses.

**Domestic Programs.** The Slovak Republic's demand reduction program, limited to several treatment beds in a Bratislava hospital, is expected to expand under the new National Drug Plan. It includes proposals for increased public awareness programs and additional treatment centers.

Germany is providing DM 1.5 million in computers, communications and surveillance equipment, and vehicles. Slovakia receives equipment for the police and customs service and forensic laboratory equipment from the UNDCP. The EU and Germany plan significant training programs for 1995. The EU is also providing significant training and equipment to establish a national drug information system, expand demand reduction programs, and develop legislation, mechanisms and procedures for to control precursor chemical and money laundering activities.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The FBI Director and the DEA Administrator traveled to Bratislava and met with key Slovak officials to expand the counternarcotics dialogue. Through UNDCP, INL contributed funds to strengthen the law enforcement and customs communication infrastructure, and to enhance their surveillance and interdiction capabilities. Additionally, INL has funded training by DEA and US Customs. FBI also offered training to combat organized crime. The USG is urging key West European donor countries to support the GOSR's antidrug efforts. It will encourage Bratislava to expand its drug control activities, enforcement capabilities. INL and the UNDCP are co-funding GOSR participation in a regional demand reduction program in Sicily.

## SPAIN

### I. Summary

Spain is a popular transit route for South American cocaine destined for other parts of Europe. DEA estimates that approximately 80 percent of the cocaine found in Europe enters the continent through Spain. Its proximity to Morocco also makes it a major hashish transit country to Europe.

Spanish officials believe domestic cocaine use has increased, but that heroin consumption has stabilized. They are concerned about a significant increase in the availability and consumption of the designer drug "ecstasy".

Heroin and cannabis seizures increased significantly in 1993 from previous years. Annual statistics for 1994 will be released in November 1995, but authorities believe they will be similar to those for 1993. Seizures in recent years are attributed to a shift in Spanish law enforcement emphasis from small-volume drug dealers to the investigation of larger trafficking operations.

The Government of Spain (GOS) ratified the 1988 UN Convention in 1990. Spain is in compliance with the EU directives on money laundering and precursor chemical controls.

### II. Status of Country

The sale of and trafficking in illicit drugs is a criminal offense in Spain, but possession or use of small amounts of drugs is subject only to administrative penalties, such as fines. According to 1994 opinion polls, 60 percent of Spanish citizens oppose drug legalization; law enforcement authorities do not believe Spain will legalize drugs in the near future.

The use of hallucinogens and stimulants among Spain's youth has increased dramatically, leading to increased trafficking in these drugs in Spain. Spanish officials believe that cocaine and cannabis use have increased less dramatically. However, intravenous heroin use has declined, primarily out of concern about contracting AIDS.

Spanish law enforcement authorities are concerned that money laundering may be increasing, and have proposed changes to the penal code allowing Spanish authorities to more effectively investigate money laundering cases and enforce existing laws (see Policy Initiatives). Spain complies with EU directives on money laundering, as well as the 1988 UN Convention.

Spain is not considered a significant diversion source for precursor and essential chemicals. Spanish laws are in accordance with EU chemical control directives, and the 1988 UN Convention.

### III. Country Actions Against Drugs in 1994

#### Policy Initiatives.

The parliament is expected to enact new legislation early in 1995 permitting the use of undercover agents and the controlled deliveries of narcotics and cash for investigative purposes. It will also create a witness protection program, and permit more flexible use of electronic surveillance of traffickers.

Spain actively participates in various international counternarcotics fora, including the Dublin Group. It provided approximately \$400,000 to the UNDCP.

**Agreements and Treaties.** Spain is generally meeting the 1988 UN Convention's goals and objectives. To fully meet them, Spain needs stricter criminal penalties for drug users. Spain ratified the mutual legal assistance treaty with the US in 1992, which contains provisions to cooperate in narcotics-related investigations. Spanish authorities have complied fully with the spirit and the letter of the MLAT, as well as the US-Spain extradition treaty.

**Accomplishments.** Spanish law enforcement authorities seized 60,000 "ecstasy" tablets, the single largest seizure of its kind in Spain. Spanish officials also seized approximately \$20 million in drug-related proceeds in 1993, a 20 percent increase over 1992. In August, the Spanish coast guard seized a one-mt shipment of cocaine off the coast of Suriname.

**Law Enforcement Efforts.** Spain's law enforcement authorities are efficient and effective. In 1993, Spanish authorities arrested 30,161 suspects for narcotics trafficking. Of these, 43 percent were involved with the traffic in opiates, 13 percent with cocaine, 36 percent with cannabis, and 7 percent with hallucinogens. The number of arrests in 1993 increased approximately 9 percent over 1992.

USG and GOS law enforcement cooperation is good. Spanish authorities cooperate fully with USG authorities in pursuit of international narcotics traffickers.

**Corruption.** Drug-related corruption among Spanish officials is not a problem. The Spanish government does not as a matter of policy encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. There were no reports that senior Spanish officials were engaged in the production or distribution of drugs, or in money laundering activities.

**Cultivation/Production.** Spanish authorities believe cultivation or production of illegal drugs in Spain is not a significant problem. Authorities seized one small cocaine laboratory in Madrid in 1994.

**Drug Flow/Transit.** DEA estimates that 80 percent of all cocaine destined for Europe transits Spain, with most arriving via the Galician coast in northwestern Spain. Spain is also a major transit country for hashish from North Africa destined for other parts of Europe.

**Demand Reduction.** Spain emphasizes prevention and rehabilitation, in coordination with interdiction and prosecution. The Spanish Drug Plan Office (PNSD) coordinates demand reduction efforts.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG cooperates closely with Spanish law enforcement officials, and offers law enforcement training opportunities to Spanish authorities, funded by the GOS. In January 1994, DEA sponsored a two-day seminar on money laundering, the first such gathering of Spanish and USG counternarcotics officials and Spanish financial representatives. In November, DEA sponsored a precursor and essential chemicals training conference for Spanish law enforcement officials.

The head of the Spanish drug effort and USG officials met to discuss a variety of narcotics-related issues in the fall of 1994; three ranking members of the Spanish judiciary and counternarcotics prosecutor's office visited the US in 1994 to study US judicial procedures.

USIA provides information to the Spanish authorities on all aspects of the drug threat, such as sharing USG experiences on money laundering and chemical diversion control. In 1995, USIS expects to sponsor a world-net program devoted to the debate on the legalization of drugs.

**The Road Ahead.** The USG looks to expanding existing bilateral cooperation with the GOS and identifying new areas of possible cooperation, particularly in Latin America. The USG will encourage continued Spanish support and active participation in multilateral antidrug organizations such as UNDCP and the Dublin Group.

## SWEDEN

### I. Summary

Amphetamines and cannabis/hashish are the most frequently abused drugs in Sweden. Smaller quantities of heroin and LSD are also used. Swedish authorities are concerned about increasing amounts of inexpensive amphetamines from Holland and Poland. Amphetamine seizures surpassed cannabis seizures in 1994.

The diversion of precursor and essential chemicals and money laundering are relatively minor problems in Sweden. Sweden is active in a variety of international anti-drug fora, and is one of the largest donors to the UN International Drug Control Program (UNDCP). Cooperation with USG law enforcement authorities continues to be excellent. The Government of Sweden (GOS) ratified the 1988 UN Convention in 1991.

### II. Status of Country

Sweden is not noted for illicit drug production, trafficking, money laundering, or precursor and essential chemical production. The GOS takes a strict anti-narcotics stand and the Swedish National Institute for Public Health promotes a healthy lifestyle and subsidizes drug use prevention programs.

The latest GOS study, published in 1993, indicated that there were 14,000-20,000 daily drug users in Sweden in 1992 (about two percent of the total population).

Sweden is not a significant narcotics money laundering center. Money laundering is a crime under Swedish law which requires banks and other financial institutions to identify new customers and register large currency transaction with the central bank. Swedish law allows for the seizure of assets derived from drug-related activity.

Sweden monitors imports and exports of all precursor and essential chemicals. The Swedish Medical Products Agency is responsible for precursor and essential chemical control.

### III. Swedish Actions Against Drugs in 1994

**Policy Initiatives.** Swedish police have a cooperative, informal relationship with authorities in many countries to control drug smuggling. Swedish customs officials train officials of Baltic nations in drug trafficking intelligence work. An ongoing program, that was started in 1993, allocates \$8.5 million to a three-year project for Swedish police and customs to assist the Baltic nations in constructing criminal surveillance centers. Sweden participates in a number of anti-drug fora, including the UN Commission on Narcotic Drugs and the Dublin Group. In 1994 Sweden contributed approximately \$7 million to UNDCP.

**Accomplishments.** Legislation pursuant to Sweden's EU accession on January 1, 1995 was passed in late 1994, including legislation relating to police and customs controls. In 1994, Swedish law enforcement officials were assigned to Tallinn and Riga. Swedish police and customs drug liaison officers also are posted to The Hague, Bangkok, Athens, Copenhagen, Lisbon, London, Warsaw, Bonn, and Budapest.

**Agreements and Treaties.** Sweden ratified the 1988 UN Convention in 1991 and is fully meeting the Convention's goals and objectives. Sweden also is a party to the 1961 Single Convention, as amended by the 1972 Protocol, and to the 1971 Convention on Psychotropic Substances. Sweden has bilateral customs agreements with the United States, Germany, the United Kingdom, the Netherlands, France, Finland, Denmark, Norway, Iceland, Spain, and Poland. New customs agreements came into force in early 1994 with Russia, Estonia, and Hungary. Sweden cooperates with the United States under a 1984 extradition treaty.

**Law Enforcement.** Swedish law enforcement authorities are efficient and effective. In 1994, Swedish authorities seized 21 kilograms of heroin (compared to 22 kilograms in 1993), 29 kilograms of cocaine (compared to 13 kilograms in 1993) and 457 kilograms of cannabis products (compared to 563 kilograms in 1992). In 1993, (1994 figures have not yet been released) they prosecuted 7,200 people for narcotics-related offenses.

**Corruption.** Swedish anti-corruption laws deter public officials from facilitating the illicit production or distribution of drugs and from the laundering of drug money. Corruption is very rare and when discovered is severely punished.

**Cultivation/Production.** In 1994, five small laboratories producing amphetamines were seized and destroyed by the police. No other illicit drugs are known to be produced or cultivated in significant amounts in Sweden.

**Drug Flow/Transit.** Sweden is a destination country for narcotics, which enter the country in commercial goods, overland, by mail, by air and by ferry from Poland, Denmark, Finland (from Russia) and the Baltic nations. Once in Sweden, few drugs are shipped to other countries.

Swedish officials are particularly concerned about the increase in illicit drugs smuggling from Poland and through the Baltics and Russia. The Netherlands remains the main source for amphetamines, but increasing amounts of amphetamines originate in Poland.

**Demand Reduction Programs.** The GOS emphasizes drug abuse prevention combined with a restrictive drug policy, enforcement measures, and drug rehabilitation. Under Swedish law, drug abusers can be sentenced to drug treatment. The Swedish National Institute of Public Health coordinates all drug preventive efforts. The dissemination of information on the dangers of drug abuse is compulsory in Swedish schools. Political, religious, sports, and other organizations receive government subsidies to carry out information and activity programs aimed at youth and parents. Various private organizations also are active in drug abuse prevention and public information.

#### **IV. US Policy Initiatives and Programs**

The USG looks to strengthen its good counternarcotics law enforcement cooperation with the GOS. In 1994, the USG had no counternarcotics programs in Sweden.

**The Road Ahead.** The USG will encourage Sweden to continue their support of UNDCP and, along with other European countries, to expand their efforts to assist the counternarcotics efforts of the Newly Independent States of the former Soviet Union.

## SWITZERLAND

### I. Summary

Switzerland is mainly a drug consumer country, although some marijuana is cultivated as well. Drug-related deaths are down, but authorities believe considerable amounts of narcotics continue to enter the country. Most of the drug trade is controlled by non-Swiss.

Cantonal governments (states) have autonomy on narcotics policy resulting in varying degrees of tolerance for drug abuse and differing enforcement procedures. Unlike previous years, only the city of Zurich still tolerates an open drug scene; drug-related violence increased to unprecedented levels in Zurich by mid-1994.

Switzerland is a major financial center, and has been used by international narcotics traffickers for money laundering. The Government of Switzerland (GOS) has money laundering laws and has implemented a number of law enforcement measures to control money laundering.

Switzerland produces some precursor and essential chemicals, but diversion is not considered a problem. The GOS does have controls on many precursor and essentials chemicals.

The Swiss government has not ratified the 1988 UN Convention. It has been delayed by public opposition to the Convention's provisos against the purchase and possession of narcotics for personal use.

### II. Status of Country

The GOS does not compile national statistics on drug use, but authorities believe consumption is slowly increasing. Heroin abuse is the greatest concern, but cocaine and synthetic drug use also are troublesome. Authorities report a slight decline in drug-related deaths (357 in 1993 versus 157 for the first six months of 1994).

Under the Swiss federal system, substantial autonomy is accorded to cantonal and city governments in law enforcement and drug policy matters. This results in varying degrees of tolerance for drug abuse and differing enforcement policies, but only the city of Zurich still has an open drug market.

Drug-related violence increased in Zurich in 1994 as Lebanese and Kosovo Albanian gangs sought to dominate the heroin distribution market. In an effort to control Zurich's open drug scene, the GOS authorized pilot projects to distribute narcotics under medical supervision, and increased the detention and eventual return of addicts to the Swiss regions from which they came.

Swiss authorities believe that drug-related money laundering decreased in 1994 due to greater diligence by financial institutions and more aggressive law enforcement measures. Switzerland is an active member of the Financial Action Task Force (FATF), and Swiss money laundering laws are in accordance with the Council of Europe's convention on money laundering.

The GOS controls the export of most precursor and essential chemicals. Swiss authorities believe some chemicals were diverted to drug producing countries in 1994, including the diversion of ephedrine to illicit drug manufacturers in Mexico. In late 1994, the GOS was working to revise its legislation to bring additional chemicals under regulation by mid-1995.

### **III. Country Actions Against Drugs in 1994**

Voters approved in December a stricter law authorizing the detention of foreigners suspected of criminal activity (including narcotics trafficking) for up to nine months. Previously, foreigners suspected of criminal activity could only be incarcerated for one month.

The Federal Council (cabinet) will assign Swiss police officers to a dozen diplomatic missions abroad to improve international law enforcement coordination. Officers will be assigned to Interpol in Lyon, and to Washington in 1995. Additional officers will be assigned to other locations in 1996. The Federal Council announced plans to strengthen its financial support for drug therapy programs in 1995, and to assume a portion of the construction costs of a new detention center for drug traffickers in Zurich. It also implemented a test program for the medically controlled distribution of narcotics to addicts.

The GOS appointed a group of experts, including scientists, members of the political parties, and government officials to identify areas where Swiss counternarcotics laws need to be strengthened. This group will announce proposed changes at a national conference in February 1995. Proposals reportedly will involve early attention to treat new addicts, tougher measures to control drug traffickers, and better cooperation between the local authorities.

**Agreements and Treaties.** Switzerland signed, but has not yet ratified, the 1988 UN Convention. The GOS must resolve the question of public opposition to mandatory punishment of narcotics users. To fully comply with the Convention, the government needs to expand controls of additional precursor and essential chemicals. The USG expects the February 1995 experts conference to address these issues. Switzerland is a party to the 1961 Single Convention, and its 1972 Protocol. The USG and GOS have a mutual legal assistance treaty signed in 1977, and an active extradition treaty dating from 1900. Switzerland in 1994 extradited to the US two individuals sought on drug trafficking charges.

**Law Enforcement.** Swiss law enforcement authorities believe increasing amounts of cocaine are entering Switzerland. In the first six months of 1994, authorities seized 87 kg. of cocaine compared to 333 kilograms for all of 1993. During the same period, authorities seized 133 kilograms of heroin compared to 178 kilograms in 1993, and 326 kilograms of marijuana/hashish in 1994 compared to 683 kilograms in 1993.

The GOS and USG have cooperated actively in the sharing of forfeited assets. For example, in December the USG transferred \$1 million in forfeited trafficking proceeds to the GOS in recognition of Swiss cooperation in the drug trafficking prosecutions.

**Corruption.** Corruption is not considered a problem. The GOS does not as a matter of policy or practice encourage or facilitate the illicit production or distribution of drugs or the laundering of money. Swiss authorities reported no cases of drug-related corruption among high-level officials in 1994.

**Drug Flow/Transit.** Switzerland is an important connecting point for flights from Asia, the Middle East, and Africa, and attracts traffickers from those regions. Most of the drugs transit Switzerland to other European countries. Swiss authorities believe distribution of heroin in Switzerland is controlled by Lebanese or Kosovo Albanians who reside in the country illegally, or are seeking asylum.

**Cultivation/Production.** Small quantities of marijuana are cultivated for personal use; authorities seized 737 plants in the first six months of 1994.

**Demand Reduction Programs.** The GOS emphasizes demand reduction and prevention over law enforcement. In 1994, the government evaluated 14 pilot projects started in 1993 involving 600 addicts who receive daily doses of methadone, morphine, or heroin. Results of the program are mixed. Addicts receiving heroin improved their health and housing conditions, while addicts receiving morphine dropped out of the program due to health side-effects. Based on the success of the heroin distribution program, the GOS will expand it to a total of 1,000 addicts. The GOS will continue to evaluate the morphine/methadone program.

#### **IV. US Policy Initiatives and Programs**

USG and GOS law enforcement cooperation is good. Authorities regularly exchange information on illicit drug shipments, and extradition cases. The two countries also exchange information on drug policies/programs through multilateral organizations such as the UNDCP and the FATF.

**The Road Ahead.** The USG looks forward to continued close law enforcement cooperation with Swiss authorities. Over the next year, the USG will encourage the Swiss government to ratify the 1988 UN Convention, add additional precursor and essential chemicals to its export control list, and continue supporting multilateral counternarcotics organizations such as the UNDCP.

## TURKEY

### I. SUMMARY

Forming a natural land bridge for Southwest Asian heroin destined for Europe and America, Turkey is a natural conduit for narcotics trafficking. The evidence is compelling: Interpol estimates almost three-quarters of all drug seizures and arrests in Europe involve Turkish traffickers and narcotics that came through Turkey. There is increasing evidence that drugs from Turkey are shipped to the U.S. as well.

In close cooperation with the United States, the Turkish government is striving to curb the drug trade. Traditional U.S. assistance enhances Turkey's investigative and interdiction capabilities with training and equipment. A new U.S.-funded project supports research on domestic drug abuse. A second new project, coordinated with a companion UNDCP project, will strengthen the interdiction capabilities at land border at customs gates with neighboring countries through training and equipment. On the policy side, the U.S. continues to urge Turkey to act expeditiously on ratification of the 1988 UN Convention (and accompanying laws on money-laundering, asset seizure, and controlled delivery), which moved to Turkey's parliament in fall 1994.

### II. Status of Country

Turkey's preeminent narcotics challenge is curbing the production of heroin and the trafficking of heroin and hashish across the Anatolian plateau destined for Europe and America. Major Turkish, Iranian and other international trafficking organizations operate from Istanbul where they maintain contacts in Pakistan, Afghanistan, Iran and eastern Turkey, as well as in Europe and North America. Traffickers continue to use Turkey's overland routes for the smuggling of Captagon (FENETHYLINE) to the middle east.

DEA in Turkey now estimates that as much as one-half of the opium and hashish transits Turkey by air and sea routes, as ethnic strife in Turkey's southeast and the conflict in former Yugoslavia disrupt traditional overland routes through Turkey and the Balkans. However, thousands of trucks continue to traverse Turkey each year, enabling traffickers to move large quantities of drugs overland from Asia to Europe and the United States. Traffickers also process morphine base and heroin base into heroin in Turkey. Laboratories used to convert imported morphine base into heroin have surfaced in remote regions of southeast Turkey, and with increasing frequency in the Marmara region south of Istanbul.

Turkey is recognized as one of the "traditional" poppy growing countries by the International Narcotics Control Board (INCB) and the USG for licit cultivation of opium poppies to meet legitimate world demand for cooking and pharmaceutical uses. The Turkish Government permits such cultivation in a limited number of provinces. Due to its effective controls over cultivation and production, there is no evidence of leakage into illicit channels. The government pays high prices for the poppy straw, levies heavy penalties for collecting opium gum and carefully monitors growing areas.

The government's Bolvadin alkaloid plant, uses the Concentrate of Poppy Straw (CPS) method that grinds up the entire poppy plant, for the production of morphine used by international pharmaceutical companies. The CPS factory is the largest of its kind in the world. Turkey increased cultivation 33.6% in 1994 because of increased demand for its morphine.

In the fall of 1994 the government signaled its resolve to enact critical money laundering legislation by moving the 1988 UN Convention to Parliament for ratification, with accompanying laws on money laundering, asset seizure, and controlled delivery. Early in 1995 the legislative package was reported out of the Justice Committee, but the legislation still must be reviewed by one or two other committees before it comes to a vote. Currently, however, Turkey has no legislation prohibiting money laundering. Turkey is considered to be a medium-high priority for money-laundering because of the lack of controls and the likelihood that some drug profits are returned to Turkey for investment in legitimate businesses.

### **III. Country Action Against Drugs in 1994**

**Policy Initiatives.** The government has drawn up an integrated, three-year narcotics strategy, long sought by the USG, to boost the effectiveness of Turkey's interdiction efforts and improve assistance coordination among donors.

As mentioned, in fall 1994 two companion bills moved from the Prime Ministry to the Parliament, where the government hopes they will be enacted in 1995. The first calls for ratification of the Convention, with its text attached. The second proposes new laws in four areas in which the Convention requires action:

Money-laundering: For the first time, money laundering will become a crime. The bill also creates a new "Financial Investigations Bureau" at the Prime Ministry.

Asset-seizure: Existing laws are strengthened to bring them into line with the 1988 Convention.

Chemical Precursors: Existing law covers only acetic anhydride (AA). The new law would create controls over both importation and domestic use of all chemicals listed in the 1988 UN Convention annex.

Controlled delivery: The new law would allow narcotics transiting Turkey to be delivered to their destinations abroad so that investigations could identify major traffickers in consuming countries. Heretofore, narcotics transiting Turkey have almost always been confiscated immediately upon discovery.

**Accomplishments.** Despite the magnitude of drug trafficking across Turkey (DEA estimates between three and five metric tons of heroin and morphine base transit Turkey each month on its way to Western markets) US-Turkish cooperation has yielded impressive results over the past several years, although seizures of heroin and hashish declined in 1994 in the absence of spectacular seizures that skewed results in 1992 and 1993.

For the first 11 months of 1994, Turkish National Police (TNP) seized 1,591 kgs of heroin and 233 kgs of morphine base. During 1994, TNP officers in the Istanbul area seized four large functional heroin laboratories, aided in part by USG provided equipment. In the previous five years, only one laboratory had been seized. On Christmas day, 1994, TNP seized one of their largest shipments of acetic anhydride ever: 16.5 metric tons on the M/V Searim, a Honduran flagged vessel from Lebanon unloading its cargo off of the Turkish Mediterranean island of Dana (opposite the coastal town of Silifke).

**Law Enforcement Efforts.** Turkish enforcement agencies cooperate closely with the U.S. and other user countries, aggressively pursue drug investigations, and prosecute traffickers. The principal law enforcement agencies are the TNP and the Jandarma (rural police). With the help of DEA and U.S. Customs Service training, and INM-financed search and detection equipment, the Customs Undersecretariat is creating a professionally trained cadre of narcotics interdiction agents, a first for Turkish Customs. The Turkish Coast Guard is also playing a growing role in interdiction.

The USG believes that only a small fraction of the heroin passing through Turkey is seized, despite the efforts of Turkish authorities. This is in part due to manpower and financial shortages. There are a mere 140 narcotics officers in Istanbul, a major drug transit and processing center with a population of over ten million. It is also due to the increasing sophistication of traffickers, using sophisticated equipment beyond the reach of traditional police intelligence-gathering methods. Limited finances prevent Turkish law enforcement agencies from purchasing the most advanced law enforcement equipment.

**Corruption.** The Turkish Government has a history of vigorous punishment of public corruption, especially by senior government officials, in all areas of public service, including the police and customs. As a matter of policy, the government does not encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money.

There are, however, occasional instances of alleged corruption within the police and criminal justice systems, perhaps exacerbated by the low pay of police officers. While senior law enforcement and most other government officials fully cooperate on narcotics interdiction efforts, drug cases have been compromised at the investigative level, and there are problems of corruption once apprehended traffickers enter the judicial system.

**Agreements and Treaties.** Turkey has signed several bilateral agreements for narcotics interdiction. The USG and the GOT have longstanding bilateral treaties covering extradition and mutual assistance in criminal matters as well as a Narcotics Assistance Protocol. The USG made no requests under the extradition treaty in 1994. Turkey is a party to the 1961 UN Single Convention on Narcotic Drugs (but not to its 1972 Protocol), and to the 1971 Convention on Psychotropic Substances. As noted, progress is being made on ratification of the 1988 UN Convention.

**Domestic Programs.** During the past several years, domestic consumption of both heroin and cocaine has increased, in marked contrast to prior years when Turkey could find comfort in its historically low rates of substance abuse. The Director of the widely respected Istanbul Research and Treatment Center for Alcohol and Substance Addiction (AMATEM) drug treatment clinic and research center, outside Istanbul, has confirmed that drug abuse is climbing. This troubling trend has been noted both among affluent young urban dwellers, particularly in Istanbul, and among residents of outlying regions torn by ethnic conflict and wracked by poverty and high unemployment. The GOT is implementing demand reduction programs in the Istanbul area, with the Turkish National Police organizing programs in the schools.

#### **IV. U.S. Policy Initiatives and Programs**

**U.S. Policy Initiatives.** The USG continues to urge the government to ratify the 1988 UN Convention, with accompanying laws on money-laundering, asset seizure, chemical regulation, and controlled transfer. The USG also encourages Turkey to play a greater regional role in coordinating interdiction and training efforts with the Newly Independent States. The USG is also providing assistance and guidance to AMATEM clinic in an effort to both obtain more accurate statistics on the addict population and to conduct demand reduction campaigns.

**Bilateral Cooperation.** The U.S. and Turkey cooperate closely against narcotics trafficking. The USG focuses its assistance on training and equipment support for Turkish National Police operations and intelligence gathering activities.

In 1994, the USG inaugurated a new program of assistance to the Customs Undersecretariat to improve interdiction at Turkey's primary customs crossings with Bulgaria, Iran, Iraq, Syria, and Georgia. DEA and U.S. Customs provided training in 1994 to help the Undersecretariat create a new cadre of officers with narcotics interdiction skills.

The USG also inaugurated a new project with the AMATEM, funding drug abuse research and providing computer hardware to track trends. At the U.S. Mission's request, experts from the U.S. National Institute of Drug Abuse visited AMATEM in 1994 and are providing technical assistance.

In light of growing maritime trafficking patterns, the U.S. Coast Guard offered basic interdiction training to its Turkish counterparts.

**The Road Ahead.** As Turkey edges toward the 21st century, there are troubling signs on several fronts in the war against trafficking. Ethnic conflict in Turkey's southeast and the collapse of the Soviet Union have spawned new overland trafficking routes through the NIS, and maritime routes through the Suez Canal, all converging in Istanbul. Istanbul traffickers orchestrate their multi-ton, multi-million dollar deals with the latest communications technology. Finally, there are signs of domestic drug abuse problems, centered for now in Istanbul, but spreading also to outlying rural areas and covering the spectrum from the poorest (glue, hashish, and heroin) to the richest (cocaine) elements of the population. Against this backdrop, U.S. assistance across the board -- for training, search and detection equipment, and for research at AMATEM clinic into emerging drug abuse trends -- has never been more important.

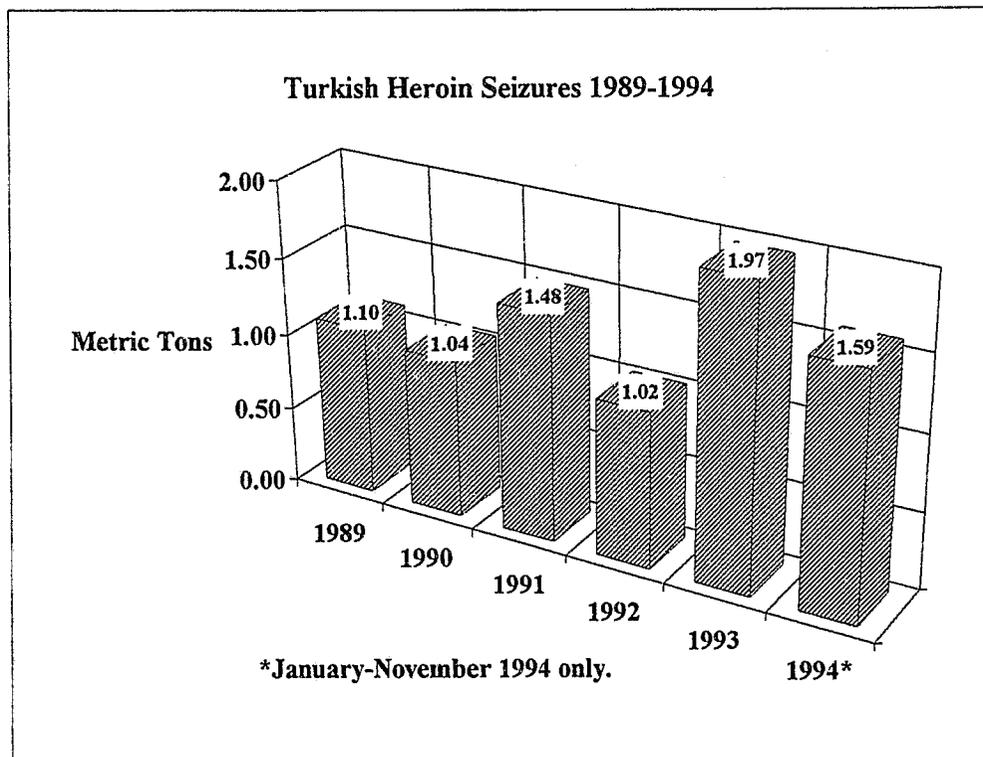
TURKEY 1995 INCSR

Statistical Tables

TABLES for CY		1994*	1993	1992	1991	1990
<b>Seizures</b>						
Opium	[mt]	0.086	0.021	0.002	0.022	0.004
Heroin	[mt]	1.59	1.97	1.02	1.48	1.04
Hashish	[mt]	18.1	28.67	16.72	5.51	11.90
Morphine base	[mt]	0.23	2.90	4.53	3.20	0.15
Acetic Anhydride	[mt]	22.5	0.185	-	22.73	5.44
Cocaine	[kg]	16.1	8.9	5.1	1.1	-
<b>Arrests</b>						
	persons	3,969	2,415	2,238	2,201	2,213
<b>Labs Destroyed</b>						
Heroin		5	1	1	5	7

Sources: Turkish National Police, Jandarma, and Turkish Opiates Board (TMO).

\* January -November 1994 only.



## UKRAINE

### I. Summary

There was an increase in narcotics trafficking through Ukraine on its way to Europe in 1994. Also, there was an upswing in drug use among the general population, particularly among the young. This situation has led to increased concern on the part of the Government of Ukraine (GOU) over money laundering as local narco-traffickers look for ways to hide their profits. Ukraine no longer permits the cultivation of narcotics related crops, although government officials acknowledge that opium poppy is still grown in southwestern Ukraine. GOU awareness of the problems associated with narcotics has become more acute, although implementation of new programs to combat drug use and trafficking in Ukraine has lagged for lack of training and resources. Moreover, Parliament has not yet adopted new anti-drug legislation, and possession of small quantities of drugs for personal use remains legal in Ukraine.

### II. Status of Country

Drug trafficking networks continue to exploit Ukraine's location on the Balkan and Afghanistan drug shipment route and its traditional role as an opium poppy producer. Ukraine was once a source of licit poppy for the Soviet Union, and authorities note that poppy continues to be grown in some areas. The extent of such cultivation is unknown.

Authorities believe that small organized gangs control most of the domestic drug activities in Ukraine. One Ukrainian official estimated in 1993 that there were 500 such gangs producing and distributing opium poppy straw in the eastern cities of Kharkiv, Dnipropetrovsk and Donetsk. Most of these gangs are Ukrainian or from Central Asia and the Transcaucus states.

Drug smugglers are making increasing use of Ukraine as a conduit for drugs from Central Asia and Afghanistan to Western Europe. Over the last two years the GOU seized over 50 metric tons of illicit drugs, including hashish, opium, poppy straw, and amphetamines, and estimate that this amount is less than one-half of what now passes through Ukraine annually. In October 1994 a Colombian was arrested at Borispil Airport with 6.4 kilos of cocaine.

The Ukrainian Ministry of Internal Affairs reports that there has been an increase of 40 percent in the number of drug users in Ukraine in the last year. The Ministry of Health reports a decline in the number of registered addicts from 54,000 to 30,000. Officials of both ministries concur in an estimate of 500,000 drug users, primarily young, in a population of 52 million.

Strict governmental controls and the lack of a free exchange system make Ukraine an unattractive location for money laundering. Ukrainian criminal groups are assumed to transfer their profits to Europe and capital flight is a large problem for Ukrainian authorities and one which they take very seriously. Crimea has become a haven for Russian banks and, it is reported, a money laundering center for Russian criminal enterprises.

During the Soviet period Ukraine was a major producer of chemicals, and production was controlled from Moscow. Ukraine is still a major chemical producer, but the GOU has not yet established the necessary controls to monitor chemical production or exports. Ukraine has no laws that directly address the issue of chemical precursors for narcotics use, nor are the chemical companies held responsible for their export policies.

### **III. Country Action Against Drugs in 1994**

The Committee for Combatting Narcotics and Narcotics Addiction, formed in 1993, was upgraded to the Ministerial level in 1994, and Deputy Prime Minister Yevhen Marchuk, former head of the Ukrainian Security Service, was put in charge of it. According to GOU officials, Marchuk has overseen the drafting of a three year plan to combat narcotics that was under consideration by the Cabinet of Ministers in late 1994. Marchuk is expected to release a report on Ukrainian counternarcotics efforts in early 1995. The Parliament has also begun to consider a national drug policy which is expected to be passed soon.

The Security Service of Ukraine cooperated with the DEA and Dutch Government organizations in 1994 to seize a shipment of precursor chemicals transiting Ukraine. Ukrainian authorities claim to have confiscated more than 50 metric tons of narcotics over the past two years. However, a lack of training and limited funding have impeded the efforts of police and security services to enforce drug laws.

**Corruption.** President Kuchma has made fighting government corruption a major priority of his administration. His first decree in office was an anti-corruption measure which addressed public concerns about corruption, but it has yielded few convictions. Corruption is still considered to be widespread, but is rarely reported as drug-related.

**Agreements and Treaties.** Ukraine is a party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs, and the 1971 UN Convention on Psychotropic Substances. In early 1995, Ukrainian officials hope to adopt legislation that will address the goals of the 1988 UN Convention, but to date they have relied on the outdated and ineffective USSR penal code of 1961. In 1994 the GOU signed an agreement with UNDCP to begin joint programs to combat and control illicit drug trafficking and use in Ukraine.

## UNITED KINGDOM

### I. Summary

The United Kingdom (UK) is primarily a consumer country for illicit drugs. British authorities believe marijuana is the illicit drug of choice, however heroin use is considered the UK's most serious drug use problem. Amphetamines are relatively inexpensive and considered the second most popular drug in the UK. Ecstasy, which is commonly found in the British club scene, is the most popular drug among youthful British club enthusiasts. Cocaine use continues to grow. In January 1994 British authorities seized the largest shipment of cocaine ever discovered in the UK.

Her Majesty's Government (HMG) drug policy focuses on drug abuse treatment, drug abuse education, law enforcement, and international counternarcotics cooperation. Locally based demand reduction programs are the foundation of domestic drug policy.

In April 1994, HMG enacted new money laundering regulations to further protect its financial institutions against money launderers. British authorities actively monitor the trade in precursor and essential chemicals through a voluntary arrangement with the British chemical industry.

HMG ratified the 1988 UN Convention in 1991 and it is meeting the Convention's goals and objectives. The UK contributes to international drug control efforts, bilaterally and multilaterally. British officials actively participate in numerous international drug control fora, including the Dublin Group, the Financial Action Task Force (FATF), and the United Nations International Drug Control Program (UNDCP).

### II. Status of Country

British authorities believe there are approximately 100,000 heroin addicts. Authorities believe crack and cocaine use have increased, however the anticipated cocaine epidemic has not occurred, probably due to its high price in the UK. In 1994 "ecstasy"-related deaths of several young people underscored the growing use of the drug by young people in club scene. British authorities also are concerned about the use of amphetamines which have been termed "the poor man's cocaine."

The UK produces and exports many precursor and essential chemicals. HMG has chemical control legislation in place and the National Criminal Intelligence Service (NCIS) and the UK chemical industry cooperate in a voluntary monitoring scheme. Additionally, HMG actively participates in the Council of Europe's Pompidou group which develops strategies to control trade in precursor and essential chemicals.

British financial institutions have been vulnerable to money laundering. The Criminal Justice (international cooperation) Act of 1993 which made money laundering illegal for all types of criminal offenses became effective on April 1, 1994. Prior to enactment, only money laundering related

to narcotics and terrorism activities was illegal. Offshore banking facilities in British territories (in the Caribbean and Hong Kong) also are believed to attract drug money and have adopted money laundering provisions. HMG continues to actively participate in the Financial Action Task Force (FATF), and was the first to adopt the Council of Europe's directive on money laundering control.

### **III. UK Counternarcotics Efforts in 1994**

**Policy Initiatives.** HMG continued its active participation in international counternarcotics efforts. In the Dublin Group, HMG chairs the Southwest Asia regional working group and participates in mini-Dublin Groups located in the capitals of most major drug producing and transit countries. The UK provides bilateral anti-drug assistance to South America, and in Southwest Asian countries. HMG contributed approximately \$5.3 million to UNDCP in 1994.

In October 1994, HMG proposed a new domestic drug strategy. The new strategy, "Tackling Drugs Together," focusses on increasing community safety from drug related crime, helping young people resist drugs, and reducing the health risks of drug abuse. This strategy would be implemented through "drug action teams" comprising of police, probation, health, education, and prison authorities. HMG plans to publish a formal proposal for Parliament to review in the Spring of 1995.

**Accomplishments.** British authorities seized 1,300 kilos of cocaine in January 1994, the largest single cocaine seizure ever in the UK. The cocaine originated in Venezuela and was destined for Poland where it would have been distributed throughout Europe.

In 1994, the British Parliament passed a new stringent criminal act law, which provides for longer sentences for illicit drug use.

**Agreements and Treaties.** HMG ratified the 1988 UN Convention in 1991, and is fully meeting the Convention's goals and objectives. The United States and the UK have an active and cooperative extradition relationship under the governing extradition treaty. During 1994 HMG extradited several persons wanted in the United States for drug-related offenses. The USG and UK have an agreement allowing US Coast Guard personnel to serve aboard British ships patrolling Caribbean waters to control maritime drug smuggling.

**Law Enforcement Efforts.** British law enforcement officials are vigilant and effective. In 1993 HMG seized nearly 56,000 kilograms of controlled substances (of which nearly eight percent was cannabis) and convicted, cautioned or fined 83,221 drug offenders. In 1993 there were 70 to 80 prosecutions for money laundering. Drug-related seizures prosecutions for 1994 have not yet been compiled.

**Corruption.** The UK is free of narcotics-related public corruption. HMG's anti-corruption laws deter public officials from facilitating the illicit production or distribution of drugs or the laundering of drug money.

**Cultivation and Production.** HMG authorities detected and destroyed a few laboratories manufacturing small amounts of LSD, amphetamines, and ecstasy. A small amount of marijuana is grown in the UK exclusively for domestic consumption which authorities destroy when discovered.

**Drug Flow/Transit.** Heroin and marijuana shipments generally originate in Afghanistan and Pakistan and are routed through the Balkans. There is increasing concern about Russian organized crime transporting drugs to/through the UK. Cocaine shipments usually arrive direct from Central and South America.

**Demand Reduction Programs.** HMG's demand reduction efforts focus on educating young people. Teams located in high-risk urban areas work closely with the community in advertising harmful effects of drugs, disseminating information, offering training seminars for youth workers, and organizing diversionary activities for youngsters.

#### **IV. US Policy Initiatives and Programs**

Since 1989 the USG and HMG have conducted periodic consultations coordinating counternarcotics policies, plans and programs, in all areas of the two government's anti-drug efforts. The USG does not have counternarcotics programs in the UK. USG and HMG law enforcement cooperation is excellent.

HMG cooperation with the USG to trace or seize assets is good. HMG local laws permit sharing of forfeited assets only with the USG.

**The Road Ahead.** The USG will encourage HMG to maintain its support to UNDCP, its active participation in the FATF and the Dublin Group, and its good counternarcotics maritime cooperation with the USG in the Caribbean. The USG will look to the UK, along with other Western European countries, to continue assisting Central Europe and the Newly Independent States with their anti-drug efforts.

## THE FORMER YUGOSLAVIA

### I. Summary

The conflict in the territory of the former Yugoslavia and the nature of our relationship with some of the successor regimes there have severely limited information on the narcotics situation and drug control efforts in this region. The information that is available is largely anecdotal.

An alternate "Balkan Drug Road" has been established running through the Southern Balkans, across the Adriatic Sea to Italy. The Italian Mafia is allegedly involved in the smuggling of drugs on this route. Drug abuse in the former Yugoslavia is still relatively minor compared to abuse in West European countries. Belgrade provides an ideal location for laundering of drug money, however, the extent of its use is unknown.

### II. Status of Region.

**The Balkan Drug Road.** Prior to the breakup of the former Yugoslavia, Serbia/Montenegro served as a principal transshipment point for the northerly movement of drugs from the Golden Crescent -- Afghanistan, Iran and Pakistan -- into Western Europe. The Serbian town of Dimitrovgrad, on the Bulgarian border, reputedly held the European record for total amount of drugs seized.

With the outbreak of the Serbo-Croat conflict in the summer of 1991 and the subsequent closure of the main north-south arterial between Belgrade and Zagreb, the drug transit corridor shifted east and north. This trend is underscored in the INCSR chapters on Romania, Hungary, the Czech Republic, Slovakia, Poland and the Baltic States. The shift was further reinforced when United Nations' sanctions were imposed in May 1992.

As authorities began to target the newer East European route, traffickers responded by developing another route using the southern part of the former Yugoslavia. This alternate route runs along the Southern Balkans -- Bulgaria, Macedonia, Albania, Kosovo and Montenegro -- providing a conduit for drugs moving West from the Black Sea to the Adriatic. Boats from Albania and Montenegro, allegedly under the control of the Italian mafia, transport drugs across the Adriatic to Italy.

**Drug Abuse.** A weak criminal code neither distinguishes between dealers and users nor between soft and hard drugs. As a result, drug addiction is on the rise, though the problem is still relatively minor compared with drug addiction in Western European countries. Statistics on addiction and drug abuse are unreliable, with the number of addicts in Belgrade ranging from 10,000 to 50,000 in a population of 1.5 million.

**Money Laundering.** With its weak banking regulations and cash-based economy, Belgrade provides an ideal location for laundering of drug money. The extent of its use for this purpose may be revealed in INTERPOL's "Eastwash" project, established to assess the prevalence of money laundering in Central European and CIS countries including the former Yugoslavia.

**Corruption.** Although the USG has no hard facts, there are anecdotal reports of official, drug-related corruption in the former Yugoslavia.

## CENTRAL ASIAN STATES

### KAZAKHSTAN, KYRGYZSTAN, TAJIKISTAN, TURKMENISTAN, UZBEKISTAN

#### I. Summary

The drug trade is accelerating in Central Asia. Drug trafficking interests appear to be targeting all five countries to smuggle drugs, obtain supplies and expand markets and there are no indications that this trend will abate in 1995. Expanding air, road and rail links, particularly westward, but also into China, Afghanistan and Iran, combined with inadequate border controls make this region vulnerable to drug interests. Reports of endemic corruption and armed conflict in Tajikistan are further attracting drug smuggling operations. Although no current figures are available, it is known that Uzbekistan authorities seized over 30 tons of hashish in the period December 1992 - February 1993, as well as several tons of opium enroute to Turkey. Western authorities believe such trafficking has continued. Officials from Tajikistan continue to note that Afghan opium is often traded for arms and supplies on the Tajik-Afghan border. For years, opium poppy was cultivated in Kyrgyzstan and Kazakhstan for licit pharmaceuticals while it was grown illicitly in all five republics. In 1973, Moscow banned all poppy growing because of the high cost of protecting the licit fields against addicts and drug dealers. Although all five states have continued these bans, illicit opium poppy cultivation continues and appears to be escalating.

Central Asian authorities report that there are no reliable statistics on the extent of current cultivation, but indicate that most opium poppy is grown in small plots, often in remote mountain areas, in Turkmenistan, Kyrgyzstan, Uzbekistan, and Kazakhstan. Tajikistan authorities continue to indicate that opium poppy cultivation is increasing in the Afghan border regions. Despite increased reporting of a rising population of injectable opium poppy extract users, government authorities in the Central Asian States do not yet view domestic drug use as a serious problem.

All the Central Asian states, but particularly Turkmenistan, Tajikistan, and Uzbekistan, have reported that opium use is increasing and there are signs that heroin use is emerging. However, cannabis and opium poppy extract are the most widely used drugs. Russia, the largest consumer of Central Asian opiates and cannabis, has become increasingly concerned about criminal organizations' increased smuggling operations into Moscow and elsewhere in Russia.

Most drug trafficking organizations that operate in Central Asia are local criminal gangs, according to domestic counterdrug authorities. Also, there are some reports of criminal elements from Russia and the Transcaucas region establishing drug connections in Central Asia. In addition, to cultivation and smuggling operations, these groups have tapped into licit controlled pharmaceuticals. The pharmaceutical plant in Chimkent,

Kazakhstan which operated for the entire Soviet Union was closed in 1991, but resumed operation in 1993 with the purchase of 50 tons of raw opium from India. Another 100 tons of Indian raw opium is scheduled to be processed from 1994 to 1995. According to Kazakhstan authorities the clandestine diversion of opium and manufactured drugs from the plant is increasing.

The underdeveloped and inefficient banking systems in these States are not currently conducive to money laundering operations. However, as commercial links with the West evolve this too could become a growing problem.

In 1994 all five Central Asian States have continued their antidrug efforts. Kyrgyzstan has developed a domestic counterdrug strategy which is now in force. Kazakhstan and Uzbekistan have also developed antidrug plans. Kazakhstan's plan is expected to be approved in 1995. All governments have attempted some limited eradication of opium and seizures of illicit narcotics begun under the Soviet Union but, limited resources have hampered any real success in this area. Efforts to coordinate a regional response to the drug problem have been limited.

The Soviet Union was a party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances. Prior to the dissolution of the USSR, the new Republics agreed at Almaty that they would continue to observe the treaties to which the USSR was a party. Based on these undertakings and the relevant principles of international law, the USG has reached the conclusion that these states, as successor states to the USSR, continue to be bound by these instruments. In April 1994 Kyrgyzstan's parliament approved accession to the UN Conventions, and implementing legislation should be considered by the parliament in 1995. The other four Central Asian States have expressed the intention to bring their laws and drug control mechanisms into compliance with the objectives of the UN Conventions, but little actual progress was made in 1994.

## **KAZAKHSTAN**

### **II Status of Country**

Well-organized criminal networks of inter-regional scope appear to be increasingly entrenched in Kazakhstan. Authorities believe that these organizations have established expansive contacts with the Newly Independent States (NIS), but particularly Russia. They are targeting Kazakhstan as a source of opiates for the region and as a key transshipment point for smuggling drugs to Russia and the West from Southwest Asia. Kazakhstan is also emerging as a drug market.

Kazakhstani authorities believe that illicit opium poppy cultivation is accelerating. Some limited eradication of opium poppy continues, but there are no official estimates of the extent of this growth. Officials are even more worried about wild cannabis in the Chu Valley, where Interior Ministry (MVD) eradication efforts are severely limited, since MVD no longer receives helicopter support from Moscow. Some cannabis from this region continues to appear in Western Europe. Authorities are also concerned about increased diversion of licit opiates.

Kazakhstan's location as a crossroads for Central Asia and the NIS combined with ineffective border and customs controls have prompted an increase in smuggling opportunities. Recent reports by custom authorities confirm such activity and show a dramatic increase in drug arrests and seizures in 1994; 74 cases in 1994 as opposed to 11 in 1993, and one each in 1992 and 91. Authorities are also concerned about an increasing amount of drug traffic detected along the Chinese border.

Domestic drug use continues to grow, but is not yet considered a serious threat by the Government of Kazakhstan (GOK). Marijuana remains the most prevalent drug, but health officials report that the use of homemade opium poppy straw derivatives is on the rise. There were 14,881 registered drug abusers in Kazakhstan in 1994. Approximately 6,000 of these were classified as addicts, most under 30 years of age. In addition, the GOK believes there are over 200,000 occasional illicit drug users.

### III. Country Action Against Drugs in 1994

The GOK is bolstering its antidrug campaign and recently developed a four year (1994 - 1997) national drug control strategy, which is under parliamentary policy and funding review. As a further sign of increased commitment the GOK has established the State Narcotics Enforcement Committee to coordinate the government's anti-narcotics efforts. The Parliament is reviewing new law enforcement and customs legislation.

Authorities indicate that international narcotics control training programs and institutional and legislative changes are paying significant dividends. During 1994, over 10 tons of narcotics were seized, over 9,400 narcotics-related criminal cases investigated, and 115 narcotics "dens" eliminated. Nevertheless, law enforcement efforts are severely hampered by limited resources.

**Cultivation/Production.** Marijuana remains the primary drug crop, although ephedrine and opium poppy cultivation continue to expand. Approximately 138,000 hectares of cannabis grow wild in the Chu Valley with some 30,000 additional hectares of growth in other region of Kazakhstan. Government authorities estimates that Kazakhstan can produce 5,000 tons of marijuana each year. The GOK is considering large-scale aerial application of herbicides in the Chu valley, but is concerned about environmental risks.

Opium poppy cultivation is concentrated in southern Kazakhstan. There are no data available on yield or the extent of cultivation. Wild-growing ephedra plants are found in abundance in the Zailyiski and Junggar mountain ranges. The government estimates that approximately 2,000 tons of ephedra can be harvested in Kazakhstan during a single summer, and it is aware that clandestine production of ephedrine is increasing.

Eight types of licit drugs, including morphine, codeine, promedol, thebaine, and ethylmorphine, are produced from raw opium in the largest bio-pharmaceutical plant in the NIS located at Chimkent. Shut down from 1991 to 1992, production resumed in 1993 with the purchase of 50 tons of raw opium from India. Another 100 tons of Indian raw opium is scheduled to be processed from 1994 to 1995. According to the GOK, the clandestine diversion of opium and manufactured drugs from the plant is increasing.

**Corruption.** Corruption is reportedly widespread within the government and some narcotics-related corruption incidents have been reported. In November, three employees assigned to the MVD's Organized Crime and Corruption Department were arrested after attempting to sell three kilos of opium worth an estimated USD 5,000. The GOK is concerned with the extent of official corruption and has begun an anti-corruption campaign.

**Agreements and Treaties.** Prior to the dissolution of the Soviet Union, the new republics, including Kazakhstan, agreed that they would continue to observe the treaties to which the USSR was a party, including the 1961, 1971 and 1988 UN Conventions. The GOK is preparing and approving legislation to fully comply with these Conventions, and it is reported that the procedure for accession to the 1961 Convention is already underway. Kazakhstan is a member of the Customs Cooperation Council, INTERPOL, and has observer status at meetings of the UN Commission on Narcotic Drugs.

## **KYRGYZSTAN**

### **II. Status of Country**

A key smuggling route is the road linking Tajikistan's volatile Gorno Badakhshan region with the Kyrgyz city of Osh. This road is reported to be used for smuggling both opium produced in Tajikistan and opium and heroin from Afghanistan. Government of Kyrgyzstan (GOK) officials estimate that drugs transiting this route more than doubled in 1994, and that as many as 60 kilos of opium now enter Kyrgyzstan daily from Tajikistan. From Kyrgyzstan the smuggled drugs are moved on to the west through other of the Newly Independent States (NIS), such as via Central Asia - Caspian Sea - Transcaucasia - Turkey. The airport in Bishkek handles charter flights from high-threat countries, and is another access point for drug smugglers. The country's underpaid, understaffed and resource poor law enforcement agencies are poorly equipped to increase interdiction operations. GOK authorities believe that the problem will only escalate.

Estimates of drug users, mostly marijuana and hashish, rose 10 percent in 1994 to 55,000. There are 2,321 registered drug addicts. Drug abuse among adolescents is reported to be growing especially fast.

Kyrgyzstan has no laws which address money laundering, nor has it adopted "due diligence" or "banker negligence" laws. While Kyrgyzstan's banking system is all but inoperable and could only be of limited use to money launderers, there have been unsubstantiated reports that foreign entities are looking to or have already established banks in Kyrgyzstan as fronts for money laundering.

### **III. Country Action Against Drugs in 1994**

In April 1994 Parliament approved the GOK decision to accede to the 1961, 1971 and 1988 UN Conventions. Implementing legislation which contains provisions for modern enforcement procedures was submitted to Parliament in October 1993, where approval was initially delayed and then fell victim to President Akayev's actions in barring the convening of Parliament in the fall of 1994. The implementing legislation should be considered and approved when the new Parliament convenes in summer 1995.

The State Commission for the Control of Illicit Drugs which was formed in 1993 to coordinate all government drug enforcement activities, has not fulfilled its mandate. As a result of this and other factors, including budgetary constraints, little progress has yet been made in carrying out the five year National Program to Combat Drug Addiction and Illicit Trafficking, which was adopted in 1993.

Seizures in 1993 totalled close to 2 tons of narcotics, including 500 kilos of cannabis, 153 kilos of opium and 500 kilos of poppy straw. In the first six months of 1994, opium seizures increased to 200 kilos. GOK authorities reported the destruction of 418 opium and cannabis plantations. In addition, 1,836 hectares of wild cannabis were eradicated.

**Cultivation/Production.** Kyrgyzstan was once the source of 16 percent of the world's annual production of licit opium. Opium poppy cultivation was banned in 1973. According to GOK officials, opium poppy cultivation in Kyrgyzstan is now insignificant, although there are no official estimates of how much is grown. Cannabis grows wild in Kyrgyzstan's Chu Valley and in other parts of the country as well. The country's potential annual marijuana yield is estimated at 2,300 tons. Ephedra plants which are used to produce the stimulant ephedrine grow wild throughout Kyrgyzstan.

**Corruption.** Recognition of corruption within the government prompted the creation of a compartmentalized anti-corruption unit within the State Security Agency (KNC) to investigate corruption in all law enforcement agencies. The new unit has arrested some junior officials.

**Agreements and Treaties.** Kyrgyzstan has acceded to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs and the 1971 UN Convention on Psychotropic Substances. The GOK is also a party to the agreement among the police forces of the NIS which calls for the coordination of operational drug control activities. There is also an agreement with Kazakhstan to cooperate on drug enforcement. In 1993 Kyrgyzstan signed a bilateral agreement on drug enforcement with Germany.

## **TAJIKISTAN**

### **II. Status of country**

In 1994 Tajikistan emerged as key smuggling route for opium and hashish from Southwest Asia to Russia and other NIS states. Its loosely controlled borders, particularly in Gorno-Badakhshan, the continuing conflict in Afghanistan, and its deteriorating economy have fueled drug operations in Tajikistan. GOT officials estimate that 80 percent of the drugs smuggled through Tajikistan follow the Khorogosh road in Gorno Badakhshan to the city of Osh in Kyrgyzstan. They also estimate that the volume of drugs on this route has doubled in 1994. A lesser used route is from Dushanbe via rail and air to Russia and surrounding NIS states. While the vast majority of drugs transiting Tajikistan are of Afghan origin, officials note that Tajik origin opium has been found as far east as Vladivostok and as far west as Austria.

A drug organization from Gorno Badakhshan, with regional drug warlords, is becoming increasingly wealthy and influential in the region. Multiple sources allege ties between these criminal bands and elements of the Russian border guards, the Tajik opposition, the GOT, and Afghan mujahidin.

Opium poppy cultivation, according to Ministry of Interior (MVD) and Justice Ministry officials, is proliferating in Tajikistan, primarily in the Zarafshan Valley. Narcotics drug abuse inside Tajikistan is still a small problem. Tajikistan is not a drug money laundering center nor producer/exporter of precursor chemicals.

### **III. Country Action Against Drugs in 1994**

Recognition of the escalating drug problems in the region prompted some limited high-level attention to narcotics for the first time in 1994. As a result the GOT plans to introduce antidrug legislation in the new Parliament in 1995. According to ministry officials, provisions for Tajikistan to adhere to the major international drug control treaties and conventions are included in the new legislation.

According to GOT officials, there was an increase in 1994 in the number of arrests for drug-related crimes, the number of hectares of opium poppy destroyed, and the number of special squads fielded to detect drug cultivation. However, these same officials believe that the increase in arrests and eradication did not keep pace with the increase in drug smuggling and cultivation. Complete statistics on drug seizures and eradication in 1994 are not available.

**Cultivation/Production.** The cultivation of opium poppy is illegal in Tajikistan. According to MVD officials, 80 percent of the opium poppies grown in Tajikistan are grown in the Penjikent district in the Zarafshan Valley. A multi-agency task force destroyed 500 hectares of opium poppy there in 1994 compared with 370 hectares destroyed in 1993. The total number of hectares under cultivation is unknown. In the first half of 1994, 51 cannabis plantations and 32 hectares of wild growing cannabis were destroyed, roughly equivalent to 1993 half-year accomplishments.

**Corruption.** There are reports of drug-related official corruption at senior levels of the GOT, as well as among members of the NIS peacekeeping forces and Russian border guards stationed in Tajikistan. These reports remain unconfirmed except for one case in which ten Russian soldiers were prosecuted and convicted of drug smuggling by the Russian military courts in Tajikistan during 1994. The GOT does not encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money.

**Agreements and Treaties.** Legislation anticipated in 1995 should replace the USSR's penal code of 1961, and provide for Tajikistan's accession to international drug control conventions and treaties, including the 1988 UN Convention.

Tajikistan has no bilateral extradition treaties, although several are under negotiation with other NIS states. Tajikistan is a party to the agreement among the police forces of the Commonwealth of Independent States calling for the coordination of operational drug control operations. Tajikistan has no bilateral nor unilateral narcotics agreements with the US or other countries.

## TURKMENISTAN

### II. Status of Country

Turkmenistan is becoming more attractive to drug traffickers as it rapidly expands its international transportation links. Direct air routes now link Ashgabat with Teheran, Istanbul and Karachi. A rail line to Iran is under construction. Truck transport to Europe has become common in the post-Soviet era. New border crossing posts have been opened on the Iranian and Afghanistan frontiers. There are reports that the old "Silk Road" through Uzbekistan, across Turkmenistan, the Caspian Sea and Transcaucasia to Turkey is being resurrected. All of these changes create new opportunities for the smuggling of drugs. Record opium and heroin seizures already mark Turkmenistan as a key transit route for illicit drugs destined for Russia and Turkey.

Turkmenistan appears to have a sizable domestic opium addict population. Opium was traditionally smoked, brewed, or processed into a beverage for celebrations, medicine, or daily use by tribal peoples. Health officials report that 70 percent of opium users in urban areas inject opiates. Intravenous opium use in rural areas, once practically nonexistent, also increased in 1993. Some domestic processing and use of heroin may also occur. Marijuana use is prevalent.

Drug sales and distribution are controlled by local traffickers, according to Turkmen authorities. The apparent increase in opium use suggests a higher incidence of drugs being smuggled into the country from Iran, Uzbekistan, Tajikistan and Afghanistan. Increased local production, likely on small plots, may also be a factor, according to Health officials. These officials predict increased drug use, particularly if the political situation in Afghanistan fuels the influx of ethnic Turkmen-Afghans, among whom opium use is reportedly high.

There is no coordinated strategy on health care for drug abusers, and there is no specific program for treating addicts. However, government clinics in Ashgabat and the five regions of the country do have assigned specialists in drug treatment. The Narcotics Unit of the Medical Center in Ashgabat presently works with the World Health Organization project on demand reduction, targeting secondary school students with educational programs, and medical officials with drug-related seminars.

### III. Country Action Against Drugs in 1994

Turkmenistan still relies on the outdated USSR Penal Code of 1961. In 1994 a group of local legal experts began work on a new draft of the Penal Code and Penal Procedure Code. The Government of Turkmenistan (GOT) plans to submit the drafts to the new Parliament which will be seated sometime in 1995. In 1994 the GOT also adopted the Law on Money Laundering, and added a clause to its Criminal Code which stipulated that large-scale drug-trafficking was a capital crime.

In 1994, 657 kilos of raw opium, over a ton of hashish and 2 kilos of heroin were seized in operations by the Committee for National Security (KNB) and Turkmen Customs. This compares with 261 kilos of opium and 10 kilos of heroin seized in 1993. The majority of seizures occurred on the border with Afghanistan.

**Cultivation/Production.** While climatic conditions are favorable for the cultivation of opium poppy and cannabis, illicit cultivation is reported to be undertaken almost exclusively for individual consumption. There is no evidence of large plantations. A growing number of abusers in urban areas have taken to injecting rather than smoking or swallowing opiates. There are no statistics on cultivation or country wide drug abuse for 1994.

**Corruption.** The USG has no reports of official drug-related corruption in Turkmenistan in 1994.

**Agreements and Treaties.** Turkmenistan has not taken independent action to accede to any of the UN Conventions. However, a UNDCP Legal Assistance Mission was in Turkmenistan in June 1994 to consult with the legal experts who are drafting the new Penal Codes and to advise them on the requirements of the international drug control conventions. Turkmenistan is a party to the agreement among the police forces of the Newly Independent States.

## **UZBEKISTAN**

### **II. Status of Country**

Uzbekistan has emerged as an attractive transit center for drug operations in Central Asia since it lies along narcotrafficking routes involving Afghanistan, Turkmenistan, Tajikistan and Kyrgyzstan. Expanded smuggling activity and opium cultivation underscore Uzbekistan's attractiveness, as evidenced by a record seizure of over 14 metric tons of Afghan hashish destined for The Netherlands in 1993. Uzbekistan is already emerging as a key conduit for moving drugs from Central and Southwest Asia to Russia and the West. The source of most narcotics is from Afghanistan and Tajikistan. The recent discovery of new heroin processing laboratories in the Badakhshan province of Northern Afghanistan indicate that the future flow of illicit opium poppy into Central Asia will increase.

Seizures reveal drug smuggling operations in Uzbekistan are primarily run by Uzbeks and Russians. Some large scale traffickers with organized crime connections operate from bases outside the country. GOU authorities indicate that Georgian, Azeri, Turkish and other nationalities are involved.

The Ministry of Health estimates that there are 44,000 drug users in Uzbekistan. Unofficial estimates go as high as 200,000. The primary substance of abuse is cannabis, but a growing practice of intravenous injection of primitive poppy straw extract is of concern to public health officials. Demand reduction is limited to the compulsory treatment of addicts, 14,000 of whom were registered in 1994.

### **III. Country Action Against Drugs in 1994**

National drug control objectives and realistically designed strategies are formulated in the draft National Program on Drug Control for 1994-1996, with responsibility for their implementation explicitly linked to specific government agencies. The program sets objectives for prevention of drug abuse, treatment and social rehabilitation of drug addicts, eradicating illicit

cultivation of narcotic crops, suppression of illicit drug trafficking, strengthening and streamlining of licit control measures and regulations, international cooperation, and strengthening of the legal and institutional framework of drug control. The GOU announced in April 1994 the creation of the State Inter-Ministerial Coordinating Committee on Drug Control, headed by the First Deputy Prime Minister. The newly elected parliament will consider a draft criminal code in spring 1995 which contains new severe punishments for selling, buying or smuggling drugs. The new bill also contains provisions dealing with money laundering.

While GOU domestic programs suffer from inadequate resources, the government does maintain six substance abuse clinics throughout the country. These tend to focus primarily on alcohol problems.

**Cultivation/Production.** Conditions are favorable for the growth of opium poppy in Uzbekistan and cannabis is a common wild-growing road-side crop. Opium poppy and cannabis cultivation is prohibited, but an exemption is provided for men over 60 and women over 55 years of age. MVD officials indicate that opium poppy continues to be grown in Samarkand and other mountainous areas of the region, primarily along the border with Tajikistan. The GOU estimated 400 hectares of illicit opium poppy under cultivation in 1994, mostly in small plots.

**Corruption.** The USG has no reports of high-level government officials involved in drug-related corruption in Uzbekistan in 1994. The MVD has elaborated a program for combating crime for 1994/5 in which special attention is focused on the fight against corruption. In November 1994 the Ministry of Justice announced that more than 1,000 officials had been charged with accepting bribes, embezzlement, speculating against the new national currency and abusing official powers.

**Agreements and Treaties.** The GOU has acknowledged that formal accession to the UN Conventions is a priority. Parliament will consider ratification in spring 1995. A new draft Penal Code which takes into account the provisions of the international drug control conventions has been submitted for approval to the Parliament. For now, the GOU relies on the USSR's Penal Code of 1961. Uzbekistan is a party to the agreement among the police forces of the Newly Independent States calling for coordination of drug control operations. In 1993, the GOU National Security Service signed an agreement with its counterpart in Kazakhstan for cooperation in the field of drug control. Uzbekistan's September 1994 membership in INTERPOL has increased its ability to combat organized crime.

#### IV. US Policy Initiatives and Programs

**Policy Initiatives and Bilateral Cooperation.** In 1994 the USG continued a counternarcotics dialogue with each of the five Central Asian States to urge them to give priority to the drug issue. Efforts are focused on identifying existing problems, possible areas for assistance and the need to accede to the UN drug Conventions. INL sponsored a variety of DEA and US Customs Service courses and visits in the five Central Asian States, including regional workshops in Almaty. In addition, funding was provided for officials to attend NIS regional workshops and seminars sponsored by INL in Moscow and Kiev and for three senior officials from Tajikistan to attend a DEA/European Union seminar for NIS officials.

Moreover, the USG has worked with the UNDCP to encourage increased drug control support for Central Asia. In 1993 the UNDCP established a regional office in Tashkent, Uzbekistan which also covers Kazakhstan, Kyrgyzstan and Turkmenistan. These four countries were visited by the UNDCP Executive Director in 1994. While the UNDCP sponsors some training for Tajikistan law enforcement officials, the armed conflict there has inhibited greater involvement.

**The Road Ahead.** Over the next year the USG will continue to encourage the Central Asian States to expand their drug control activities and to establish the necessary legislative and institutional antidrug capabilities to enable them to comply with the 1988 UN Convention and other international instruments. The USG will stress development of licit drug legislation and controls and demand reduction programs. The USG will urge the NIS to increase opportunities for bilateral and international cooperation. The bulk of USG assistance to Central Asia in 1995 will be channeled through contributions earmarked for the UN. In addition, INL will continue to sponsor bilateral and regional training at the current modest level. US Customs has scheduled training in this region for 1995, including a Regional Train-the-Trainer workshop.

## TRANSCAUCASIA

### ARMENIA, AZERBAIJAN, GEORGIA

#### I. Summary

The three countries of Transcaucasia are located on an increasingly active transshipment route for illicit narcotics, particularly opium, originating in Afghanistan, Central Asia and Iran and destined for the European market and, to a lesser degree, for Russia.

While the governments of Azerbaijan, Armenia and Georgia have evinced interest in taking measures to counter narcotic transshipment through their territories, they made no significant progress toward this end in 1994. Only Georgia has mounted a law enforcement interdiction campaign, but such efforts have been military type operations and have had little, if any, effect on the transshipment problem. The three countries are deficient in resources needed to combat organized narcotraffickers, and known corruption reaching high levels of government in Azerbaijan and Georgia is an additional deterrent to success. Moreover, intense ethnic rivalries continue to prevent the emergence of effective regional drug cooperation.

Various sources indicate that criminal gangs from the Transcaucasus operate drug distribution networks in Russia and elsewhere in the NIS and Europe. Drug gangs from Azerbaijan and Georgia continue to be particularly noted in Central Asia and Russia.

The USSR was a party to the 1988 UN Convention, the 1961 Single Convention on Narcotic Drugs, and the 1971 Convention on Psychotropic Substances. Prior to the dissolution of the USSR, each Republic agreed at Almaty that it would continue to observe the treaties to which the USSR was a party. Based on these undertakings and the relevant principles of international law, the USG has reached the conclusion that the new republics, as successor states to the USSR, continue to be bound by these instruments.

In 1993 Armenia deposited its instruments of ratification with the UN for all three drug Conventions, including the 1972 Protocol. Azerbaijan did the same, but for the 1988 UN Convention only. Georgia has not yet taken steps to accede to any of the UN Conventions.

#### ARMENIA

#### II. Status of Country

The Ministry of the Interior (MVD) reports that Armenia is becoming a significant transit point for narcotics traffic, principally opium, between Asia and Europe. Traffic flows from Asia through Iran, Armenia, then onward to Georgian ports or to Russia. The Armenian-Iranian border is particularly vulnerable to drug smuggling. According to the MVD, Iranians and Russians as well as Armenians are involved in the transshipment of narcotics through Armenia.

Narcotics production is minimal in Armenia. Hemp and opium poppy grow wild in the countryside and without doubt some of the hemp is processed for local illicit drug use. However, the MVD has no evidence that the wild poppy is being exploited for drugs.

Armenia is not a large market for narcotics. MVD reports about 1000 registered drug addicts in Armenia. Estimates of actual users, primarily of hashish and opium, range from 5 to 20 thousand.

### **III. Country Action Against Drugs in 1994**

The National Inter-Ministerial Committee on the Fight Against Drug Trafficking and Drug Abuse was established in February 1994 to lend support to the government's counternarcotics effort. Already it has helped to draft and enact a mandatory sentencing law for narcotics trafficking.

The GOA's counternarcotic trafficking efforts have focused on developing cooperative relationships with French and Iranian police to interdict traffic and on arresting major players in the "narco-business". A Yervan newspaper recently reported that the Armenian State Directorate for National Security and its Russian counterpart conducted a joint counternarcotics operation in Moscow and Yervan resulting in multiple arrests and confiscation of a large amount of heroin and firearms. In December, the GOA suspended the opposition Dashak Party for alleged involvement in criminal activity, including drug trafficking. The suspension of an entire political party, however, has raised concerns that the GOA exceeded its authority.

In 1994 the GOA began legal proceedings in 353 illicit drug cases, resulting so far in the conviction and sentencing of 55 drug dealers. In the same period the MVD has confiscated considerable quantities of poppy, hashish, marijuana and opium.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in Armenia in 1994.

## **AZERBAIJAN**

### **II. Status of Country**

A significant heroin transport network runs from Iran through Azerbaijan and thence to Russia and to the Baltic States. Transshipment routes also originate in Afghanistan and Central Asia. The ferry route between Azerbaijan and Turkmenistan is probably a major "bridge" for narcotic traffic from Afghanistan through Central Asia. The Jafar Rahani group, an Istanbul-based trafficking ring, is believed to have links in Azerbaijan. Limited quantities of the drug trimethyl pentonyl are produced in Azerbaijan and reportedly shipped to the Baltic states. Locally grown hashish is exported to Georgia. Large areas in the Caucasus foothills are suitable for the cultivation and clandestine production of ephedrine and there is evidence of this in the confiscation of ephedrine tablets.

### III. Country Action Against Drugs in 1994

Azerbaijan has not developed any new domestic policy initiatives to combat commerce in illicit drugs since the setting up of an inter-agency permanent committee on counternarcotics in 1992-93. The Ministry of the Interior has proposed revamping the criminal code to deal more effectively with drug-related offenses, but the Parliament has not yet acted on its proposals.

The Government of Azerbaijan periodically announces small seizures of illicit narcotics. However, no large-scale seizures have been made and there has been no discernible impact on transshipment volume in 1994. Seizures include small quantities of marijuana, cocaine, hashish, raw opium, refined opium, heroin and ephedrine tablets. In the same period, authorities destroyed 18 hectares of poppy plants, an 88 percent increase from the previous year. The Azeri authorities initiated 88 drug-related criminal prosecutions through November 1994. Fifty-five ended in conviction with sentences averaging 3-5 years.

**Corruption.** The Ministry of the Interior and the Prosecutor's Office have not reported any narcotic-related corruption cases in 1994. This fact in itself indicates that high-level attention is yet to be devoted to this problem.

## GEORGIA

### II. Status of Country

Georgia is one of the major routes for narcotics moving from Central Asia and the Golden Crescent to the West. There is virtually no control over vehicle, aircraft, and ship traffic entering or leaving Georgia. According to Georgian authorities, border and customs officials are susceptible to bribes; a relatively small sum will persuade officers to turn a blind eye to narcotics trafficking. Although much of the information of this region is anecdotal, multi-ton seizures of opium in Turkey over the past several years indicate Georgia continues to be a key transshipment point. It also appears that drug interests are increasing efforts to target Georgia for smuggling heroin.

Indigenous production of cannabis and poppy appears to be on the rise, although there are no reliable estimates on cultivation at this time. The Ministry of the Interior (MVD) recently seized 2000 liters of hydrochloric acid, intended for use in illicit drug refining.

Despite the poor economic conditions, banking in Georgia seems to be a thriving business. GOG officials believe that some of these banks have been established solely to launder illegal profits from narcotrafficking.

### III. Country Action Against Drugs in 1994

In the Fall of 1994, the MVD redrafted legislation applicable to drug crimes, proposing stiffer penalties and adherence to international narcotics conventions and agreements. The legislation is now under parliamentary review.

The Georgian MVD formed a Counternarcotics Bureau consisting of approximately 350 officers to combat the growing narcotic problem. This Bureau conducted several large-scale antinarcotics operations in 1994, with occasional assistance from the military or the security service. Raids were conducted throughout the country and netted significant amounts of illegal drugs, weapons and stolen goods. Of the 1038 criminal cases brought to trial in Georgia in 1994, 177 were drug-related, the majority of which involved drug distribution. The conviction rate for these drug cases was eighty-five percent and most received sentences of 3-5 years in prison.

The GOG began interdicting illicit drugs intended for domestic consumption in 1994. However, by their own estimates, GOG officials believe they are only interdicting 1-2 percent of the illegal drugs transiting through Georgia.

**Corruption.** The USG has no indication of corruption in the recently established MVD Counternarcotics Bureau. However, there are rumors that the GOG is beginning to take steps to clean out the Customs Service, a notoriously corrupt organization.

#### **IV. US Policy Initiatives and Programs**

The USG continues to maintain a limited dialogue with the three countries in the Transcaucasus region and to exchange information on counternarcotic matters. All three countries are receptive to exchanges and training opportunities and the US encourages this with in-country visits and analysis of needs. Aid, including US funded counternarcotics and law enforcement training, for Azerbaijan is limited by Freedom Support Act Section 907.

In 1994 the three Transcaucasus countries participated in regional counternarcotic training programs held in Kiev, Moscow and Salzburg. Additional training opportunities will be provided in 1995 (subject to limitations of Section 907 of the Freedom Support Act), including a week-long counternarcotic law enforcement training program in Tbilisi for 50 Georgian officials. The USG is promoting anti-drug assistance from other Western donors and from the UNDCP for the Transcaucasus region.

Over the next year the USG will continue to encourage the Transcaucasus governments to expand their drug control activities and to establish the necessary legislative and institutional capabilities to improve intra-government cooperation and ensure efficient legal prosecution of narcotics-related crimes. Specific attention will be given to urging the implementation of the provisions of the 1961, 1971 and 1988 UN Conventions.

**AFRICA AND THE MIDDLE EAST**



## COTE D'IVOIRE

### I. Summary

Cote d'Ivoire is a transit point for heroin from Asia and cocaine from South America destined for North American and European markets. There is some production of low grade cannabis, primarily for domestic consumption. Domestic use of other illegal drugs, especially heroin and cocaine, are rising. The vast majority of those arrested for drug related offenses are of Ivoirian nationality. The National Drug Police (NDP), while recognizing the problem of narcotics trafficking, is hampered by a lack of resources. In 1994, a project letter of agreement was signed between the Government of Cote d'Ivoire (GOCI) and the USG relative to the fight against narcotics trafficking. Cote d'Ivoire is a party to the 1988 UN Convention.

### II. Status of Country

The production of narcotics in Cote d'Ivoire is limited to the cultivation of low-grade cannabis, primarily for domestic consumption. While there is no wide-spread drug use in the country, the influx of both heroin and cocaine concerns authorities. Abidjan serves as a regional hub for both international airline travel and financial activity, and thus is an attractive site for the transshipment of narcotics, and for money laundering. There is no evidence of any narcotics processing in Cote d'Ivoire.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** The GOCI took a number of small steps in meeting the 1988 UN Convention objectives. In July, the Minister of Security chaired a cabinet-level meeting to ensure that all GOCI counternarcotics programs are properly coordinated.

**Accomplishments.** There were no significant counternarcotics accomplishments during the year. Despite an apparent willingness to combat trafficking, the GOCI lacks resources to devote to meaningful drug control actions.

**Law Enforcement Efforts.** The effectiveness of the GOCI's law enforcement activities is limited by the lack of training and resources.

**Corruption.** There were no significant arrests and/or prosecutions for corruption in 1994, nor is there any evidence to implicate public officials in corrupt practices.

**Agreements and Treaties.** The GOCI is a party to the 1961 UN Single Convention, the 1972 Protocol thereto, and the 1971 Convention on Psychotropic Substances. In 1991, it ratified the 1988 UN Convention. In 1992, 1993 and 1994, it signed letters of Agreement with the USG seeking to enhance GOCI capabilities to suppress the cultivation, processing, trafficking, consumption and transshipment of illicit narcotics.

**Drug Flow/Transit.** Abidjan's Houphouet-Boigny International Airport is used as the primary transit point in the country for the flow of Asian heroin and cocaine. It is difficult to gauge the amount of drugs transiting the country, since the GOCI's data base is unreliable.

**Demand Reduction.** The GOCI's modest demand reduction program is limited to the publication of news articles on drug abuse and on the penalties associated with illicit narcotics use and trafficking.

#### **IV. US Policy Initiatives and Programs.**

**Policy Initiatives.** The USG focuses on ways to limiting the use of Abidjan as a transit point for narcotics trafficking.

**Bilateral Cooperation.** The bilateral agreements of 1992, 1993 and 1994 helped to relieve some of the GOCI's logistical problems in combatting narcotics. USG and GOCI law enforcement officials cooperate will and share information.

**Road Ahead.** The USG will continue to seek a decrease the use of Abidjan's Houphouet-Boigny International Airport for the transshipment of narcotics.

## EGYPT

### I. Summary

Egypt's role as transit point for opium and cannabis destined for other countries in the Middle East, Europe and the United States continued in 1994. Egyptian authorities eradicated an area in the Sinai region capable of producing ten times as much opium as was eradicated in the 1993 campaign. The GOE believes that the increased cultivation was intended for domestic markets. Cannabis cultivation and eradication also increased significantly with over seven million plants destroyed in the Sinai region this year. Domestic demand for opium remained low but increasing. Widespread hashish consumption continued. There is increased abuse of pharmaceutical drugs though the scope is difficult to gauge because prescriptions are not required to purchase pharmaceuticals in Egypt.

Egypt has ratified the 1988 UN Convention, but competition for resources from higher GOE priorities such as counter terrorism hamper efforts to fully comply. There were some indications of low-level narcotics-related public corruption in 1994.

### II. Status of Country

Egypt continues to serve as a significant transit point for heroin from Southeast and Southwest Asia to Europe and the United States. Cultivation of cannabis and opium is a small, but growing problem, and the GOE has been aggressive in eradicating suspected cultivation. The GOE has begun to address the transit problem in the Suez Canal.

### III. Country Against Drugs

**Accomplishments.** The GOE's aggressive eradication campaign in the Sinai region resulted in the destruction of over 10.3 million poppy plants and 7 million cannabis plants. In November the GOE formally adopted a comprehensive drug control strategy that coordinates the use of ANGA, Customs, police and some military resources in law enforcement, particularly interdiction at entry points. In addition, the strategy involves non-governmental organizations in planning drug awareness programs. The strategy also addresses the need to establish drug treatment programs.

**Law Enforcement Efforts.** The GOE strictly enforced its strong anti-narcotics laws and began work on bolstering money laundering and controlled delivery legislation. Bilateral efforts focussed on coordination of law enforcement activity through the implementation of a narcotics task force approach.

The GOE's Anti-Narcotics General Administration (ANGA) continues to conduct effective airport interdiction programs. ANGA coordinates its activities with the frontier police, customs, and police narcotic units in the provinces. ANGA's successful eradication campaign in the Sinai region was conducted with materials and technical support provided by the Ministry of Agriculture.

**Corruption.** There were no reports of any senior GOS officials engaged in narcotics trafficking. There were indications of limited low-level corruption as low salaries make law enforcement agencies vulnerable to corruption.

**Agreements and Treaties.** Egypt has a bilateral counternarcotics agreement with the United States signed in 1991. The existing extradition treaty with the USG dates from the Ottoman Empire. The USG has not made any narcotics-related extradition requests since 1989.

Egypt has bilateral agreements with Tunisia, Syria, Pakistan, India, Germany, Jordan, Italy, the United Kingdom, and the United States. All agreements feature cooperation with police agencies in joint investigation, timely exchange of intelligence information, extradition, law enforcement assistance (equipment/training), judicial assistance (role of the judiciary, training of prosecutors, judges, and formulation of laws).

**Cultivation/Production.** Egyptian authorities destroyed over 10.3 million opium plants and 7 million cannabis plants in 1994. Cultivation is concentrated in remote areas of the Sinai region and along the Nile River in southern Egypt.

**US Programs.** The United States will continue to make regional training opportunities available to the GOE. The USG will continue to seek the full implementation of its 1991 bilateral counternarcotics agreement and its amendments with the GOE. Major USG policy objectives are:

- To exchange information with the GOE regarding the trafficking of illegal drugs through Egypt and on to the United States and Europe.
- To detect and interdict heroin shipments through Egypt to the United States through a wire intercept program and other efforts.
- To provide training, equipment, and advice to Egyptian law enforcement personnel so that they may function independently, efficiently, and professionally to counter narcotics trafficking.

**Road Ahead.** The USG will continue to seek full implementation of the 1991 bilateral agreement with Egypt and its 1992 and 1993 amendments, to include the arrival, installation, and use of USG provided equipment, and the implementation of an effective Suez Canal interdiction program. The USG will continue its cooperation with the GOE in both bilateral and regional counternarcotics efforts.

## ETHIOPIA

### I. Summary

The only illicit (but licit in Ethiopia) drug produced and consumed in Ethiopia is qat, some of which is also exported to neighboring countries. Addis Ababa's international airport, a regional air hub, increasingly is being used as a narcotics transshipment point primarily for heroin originating in India and Thailand destined for Europe and North America. Modest efforts have been made by the transitional Government of Ethiopia (TGE) to overhaul law enforcement and judicial efforts to combat narcotics trafficking and, although in 1994 Ethiopia became a party to the 1988 UN Convention, much remains to be done.

### II. Status of Country

Ethiopia serves as a regional air hub which connects South Asia with the Middle East and West Africa, and evidence indicates a significant increase in the number of narcotics shipments transiting Addis Ababa. Criminal sentences in Ethiopia for trafficking offenses are not severe and offer little deterrent to drug couriers. Statistics kept on drug arrests and qat production are not accurate and are therefore suspect.

### III. Country Actions Against Drugs in 1994

**Policy initiatives.** In 1994 Ethiopia became a party to the 1988 UN Convention and to the 1971 Protocol to the 1961 Single Convention, to which it is also a party. In addition, Ethiopia is a party to the 1971 Convention. Under pressure from the US and other countries, the TGE has shown greater concern in addressing all aspects of drug trafficking and consumption, and has begun the process to improve its counternarcotics capability.

**Law Enforcement Efforts.** A large seizure of heroin at Addis' Bole International Airport (10 kgs.) was made during 1994 resulting in the arrest of several Nigerians and one Ethiopian. As part of the general move to overhaul the antinarcotics apparatus, Ethiopian judges have begun to impose sentences for drug convictions which exceed current statutory limits.

**Corruption.** Corruption of TGE officials is not a problem in Ethiopia. The TGE does not as a matter of government policy encourage or facilitate illicit production or distribution of illicit drugs or the laundering of drug money.

**Agreements and Treaties.** During 1994 the TGE signed a Regional Counternarcotics Cooperation Agreement with Eritrea whereby the two countries agreed to exchange information. The Ethiopians have agreed in principle to expand this agreement to neighboring countries.

**Cultivation and Production.** Ethiopia is a leading producer of qat, a stimulant used most commonly by Yemenis and the ethnic Somalis in Ethiopia, Djibouti and Somalia. Several tons of qat is flown daily into these neighboring countries via commercial and charter flights. The production, exportation and consumption of qat is entirely legal both in Ethiopia as well as in the importing neighboring countries.

**Drug Flow/Transit.** There is no doubt that significant amounts of heroin are transiting Addis Ababa, originating in Bombay, Karachi and Bangkok, and destined for Lagos and other West African countries for further transit to Europe and North America.

**Demand Reduction.** Ethiopia does not have a significant narcotics consumption problem (other than gat, which is legal). However, the TGE no longer ignores the heroin transshipments and recognizes that a domestic consumption problem is often a byproduct of a narcotics transit operation. Consequently, efforts were made in 1994 to develop a public awareness program to highlight the dangers posed by narcotics, particularly heroin.

#### **IV. US Policy Initiatives and Programs.**

**Policy initiatives.** US counternarcotics goals within Ethiopia focus entirely on eliminating, or at least limiting, the use of Addis Ababa as a transit point for international heroin smugglers. The USG will also press the post-transitional government to sign the 1988 UN Convention.

**Bilateral cooperation.** In April 1994, the USG funded two Ethiopian counternarcotics officers' attendance at a regional counternarcotics conference in Harare, Zimbabwe, and again, in July, a senior Ethiopian counternarcotics officer attended a one-month DEA management conference in Washington, funded by the USG. In September 1994, the Department of State provided two drug sniffer dogs and a transportation vehicle for use at Addis' Bole International Airport.

**Road Ahead.** The TGE appears to be committed to limiting the flow of heroin through Addis Ababa and to this end looks to the USG for providing continued assistance and expertise.

## GHANA

### I. Summary

Ghana's role increased as a transit route for cocaine from Latin America and heroin from Asia, both ultimately destined for the US and Europe, despite the government's intensive law enforcement and public awareness efforts. The Government of Ghana (GOG) also acknowledged the on-going cultivation of marijuana and a rise in drug consumption across the nation. Narcotics authorities implemented US-sponsored training program to improve interdiction efforts at airports and at the borders, resulting in increased arrests and seizures. The Government of Ghana energetically pursued the goals and objectives of the 1988 UN Convention to which it is a party.

### II. Status of the Country

Illicit drug trafficking is increasing in Ghana, despite the country's stringent narcotics laws and active law enforcement efforts. The GOG believes that, in addition to the long established Nigerian-Ghanaian organizations based in Accra, international groups headquartered elsewhere are now operating in Ghana. During 1994, there was a dramatic increase in the number of Ghanaians arrested worldwide on narcotics charges, primarily for cocaine trafficking.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** The GOC made progress in advancing elements of its counternarcotics master plan by developing effective interdiction capabilities along borders with Togo and the Ivory Coast. Ghana's customs service placed a narcotics squad at the Ghana/Ivory Coast border to interdict cocaine trafficking. Additionally, the police narcotics unit assigned personnel to the seaport at Tema and the regional capitals of Ho, Kumasi and Koforidua to interdict heroin coming from Nigeria. The Narcotics Control Board (NCB) increased its education awareness program in secondary schools and supported the formation of drug prevention clubs.

To meet 1988 UN Convention objectives, the GOG restructured the NCB to include representatives from the Pharmacy Board, the Education Service, trade unions, the public prosecutor's office, psychiatric care givers, and prisons officials. The NCB hopes the public prosecutor will become a major force in getting proposed counternarcotics legislation approved by the parliamentary draft committee.

**Law Enforcement Efforts.** The NCB routinely investigates local businesses for drug trafficking activity. The NCB is constantly upgrading techniques and methods to counter the sophisticated operations of drug dealers. However, the current budget and manpower levels of law enforcement agencies are insufficient for Ghana's enormous narcotics problem.

The GOG has asset seizure legislation which is routinely enforced. There have been unsuccessful attempts to amend the law so that 50 percent of drug dealer's seized assets would be given to the NCB to fund counternarcotics activities.

The GOG continued its close cooperation with international organizations on counternarcotics issues. In October, chiefs of all three Ghanaian narcotics control agencies (NCB, police, Customs) readily agreed to support a DEA undercover operation in Ghana.

There were no reports of money laundering in Ghana in 1994, nor did the GOG report any diversions of precursor chemicals to manufacture illicit drugs.

**Corruption.** No Ghanaian government official was implicated in 1994 in facilitating the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances, or was involved in discouraging the investigation or prosecution of such acts. The GOG opposes all corruption, as evidenced by the dismissal of four senior customs officials this year on corruption charges.

**Agreements and Treaties.** Ghana and the USG signed a Letter of Agreement (LOA) in 1993 providing for counternarcotics cooperation. Ghana is a signatory to the 1988 UN Convention. In October, the GOG honored its treaty with the US by arresting and extraditing a Ghanaian national. In July and August, the GOG assisted the DEA in a successful drug investigation which led to arrests.

**Cultivation/Production.** Cannabis grows naturally in most parts of the country. Despite eradication efforts, the number of fields under cultivation is increasing and spreading into new areas closer to urban centers. Ghanaian counternarcotics authorities estimate that their annual seizures of marijuana represent only a small fraction of total production. The GOG lacks detailed information on drug distribution, but acknowledges that marijuana is readily available throughout the country, particularly in the larger urban centers.

The GOG lacks sufficient regional narcotics personnel to monitor closely and investigate cannabis production in rural areas. There is no evidence that other drugs are produced in Ghana.

**Drug Flow and Transit.** The inauguration of Ghana Airways' direct flights to the US in October enhanced Accra's appeal as a drug transit point. Counternarcotics agencies also uncovered growing use of the international mail to smuggle heroin from Thailand into Ghana, although use of express mail decreased. Cocaine seizures decreased markedly from 1993 levels. Ghanaian counternarcotics officials believe cocaine couriers now primarily use swallowing methods rather than external concealment, making detection more difficult. Cocaine couriers are normally Ghanaian nationals who obtain the drugs in Rio de Janeiro and travel to the Ivory Coast or Nigeria, then return to Ghana overland or by air. Both heroin and cocaine are transshipped to the US or to the UK and other parts of Europe. The majority of drug trafficking organizations appear to be headed by Nigerians who have formed small syndicates with Ghanaians serving as couriers.

**Demand Reduction.** Under its demand reduction program, the NCB conducted two seminars, distributed information and educational literature, and produced documentary videos to loan to antidrug abuse clubs in schools and local communities. The GOG conducted a seminar to enhance media awareness of the dangers of drug abuse.

#### **IV. US Policy Initiatives and Programs**

##### **The Road Ahead.**

The USG will support the creation of self-sufficient GOG counternarcotics organizations by assisting the GOG to improve interdiction efforts; by providing commodity assistance and training; and by coordinating intelligence and extradition proceedings.

## ISRAEL

### I. Summary

Israel is a transit route for heroin and hashish. The Israel National Police regards the war on drugs as its highest priority after internal security. While Israeli antidrug policy emphasizes demand reduction, the GOI plans to augment its drug interdiction capabilities with a newly formed, 200-person drug unit recruited from within Israel's Customs Service. The GOI is working to ensure that drug trafficking will not increase with Israel's enhanced regional ties.

There were promising initial steps toward increased regional counternarcotics cooperation. In June, Israeli and Egyptian antidrug agencies established formal lines of communication, and the Israel/Jordan Peace Treaty signed in October calls for cooperation in combatting crime and drugs. At present, Israel lacks the legal means to combat effectively money laundering. The National Police cooperates closely with foreign counterparts and has stationed drug liaison officers in the US and Europe. Israel has signed, but not ratified, the 1988 UN Convention.

### II. Status of Country

The GOI is concerned that open borders and improving regional trade relations resulting from the Middle East Peace Process will increase drug trafficking activities through Israel. Drug cultivation and production are a problem in surrounding countries. This makes Israel a potential trafficking route, particularly from Lebanon, a major transit country for hashish and heroin, to Egypt. Israel is not a major drug producer, but the Antidrug Authority (ADA) estimates that there are 200,000 casual drug users and about 30,000 addicts in Israel. Surveys in 1989 and 1993 indicate a slight decline in drug abuse rates as a percentage of the population. However, they show a troubling shift among young people from hashish and marijuana, to synthetic drugs, opiates, heroin, and cocaine.

Israel's banking secrecy laws and liberal immigration policies might allow Israel to become a significant regional money laundering center. Money laundering is illegal and may be prosecuted in conjunction with a criminal conviction. However, there have been few prosecuted cases of money laundering. It appears that Israel's sophisticated financial infrastructure is being used increasingly by money launderers.

### III: Country Actions Against Drugs in 1994

**Policy Initiatives.** The ADA, under the direct authority of the Prime Minister, continues to expand programs of drug education and awareness, treatment, and rehabilitation. At \$9.5 million, the ADA's 1994 budget was some 20 percent higher than in 1993: much of the money went for drug treatment. The ADA established additional rehabilitation centers in the southern and central districts, and planned to open two more for the Haifa and Jaffa districts by year end.

**Law Enforcement Efforts.** Over the next year and a half, Israel hopes to introduce technologically advanced customs checks at all Israeli points of entry, including the Jordan River bridges. The National Police initiated a drug detection canine program at Ben Gurion airport.

**International Cooperation.** The National Police cooperates closely with its foreign counterparts and has stationed drug liaison officers in the US, Turkey, Holland, France, Germany, Russia, and Ukraine. The Customs Service has posted liaisons officials in Belgium, Italy, Hong Kong, and the US. The GOI has called for a comprehensive regional conference to discuss cooperation in the antidrug fight, and is exploring the possibility of establishing a regional training center in Israel.

**Agreements and Treaties.** In June, Israeli and Egyptian drug agencies established formal lines of communication. The Israel/Jordan Peace Treaty concluded in October calls for cooperation in combatting crime and drugs.

The US and Israel signed a counternarcotics memorandum of understanding (MOU) in 1991. In 1993, the two governments signed a customs cooperation agreement. The recently ratified bilateral tax treaty grants US tax authorities limited access to bank account information. In November, Israel hosted negotiations on a mutual legal assistance treaty with the USG which would cover narcotics matters. Those negotiations are continuing.

Israel acceded to the European Convention on Mutual Legal Assistance in Criminal Matters, and ratified the 1961 UN Single Convention and its 1972 Protocol. In addition, Israeli law permits legal assistance in the absence of a treaty. Israel has signed, but not ratified, the 1988 UN Convention.

Israel has extradition treaties with the US, UK, France, and Italy. It does not extradite its own citizens.

**Corruption.** Drug-related corruption by government officials does not appear to be a problem in Israel.

**Cultivation/Production.** Israel neither cultivates nor produces illicit drugs.

**Drug Flow/Transit.** Israel lies on a drug transit route. Heroin from southwest Asia via Turkey, and from southeast Asia via Europe, enters at airports and seaports and transits Israel to Egypt. According to the ADA, hashish going to Egypt, and heroin to the US pass through Israel.

**Demand Reduction.** ADA now has a drug awareness program in more than one-third of all primary and secondary schools in Israel. Special programs to combat increasing drug abuse among the Israeli Arab minority are conducted jointly by government ministries, Arab local authorities, the Red Crescent, and the ADA.

#### IV. US Policy Initiatives and Programs

**Policy Initiatives.** US-Israel cooperation focuses on helping Israel build a self-sustaining, professional, drug interdiction force, and on fostering regional cooperation between Israel and neighboring countries on antidrug issues.

**Bilateral Cooperation.** In 1994 the INP established with USG assistance a detector dog program at Ben Gurion airport. The team proved very effective, and made 17 drug seizures in the last quarter of the year. The GOI now plans to expand the program to cover all points of entry into Israel.

**Road Ahead.** Israeli law enforcement agencies and US Customs will co-sponsor a drug interdiction training program in Israel, with possible additional regional participation from Egypt and Jordan. A USG multi-disciplinary enforcement team also plans to host a money laundering seminar in Israel.

## KENYA

### I. Summary

Kenya enacted in 1994 the Narcotic Drugs and Psychotropic Substances Control Act. It implemented the terms and conditions of the 1988 UN Convention, to which Kenya is a party. The legislation established severe prison sentences for the possession of or trafficking in illicit drugs. The Government of Kenya (GOK) also appointed a former recipient of USG-funded training as the new director of Kenya's Anti-Narcotics Unit (ANU). Despite the tough new legislation, and the GOK's ambitious counternarcotics strategies, the government's lack of insufficient resources and inefficiency prevented enforcement agencies from stemming the flow of drugs through the country.

### II. Status of Country

For reasons of geography and infrastructure, Kenya is an important transit point for heroin originating in India, Pakistan, and Thailand, and destined for Europe and the US. The country is also an increasingly popular transshipment point for methaqualone (Maandrax) bound for South Africa. A November agreement calling for the creation of a single travel document for Kenya, Tanzania, and Uganda could complicate attempts by Kenyan drug enforcement agencies to identify the large number of non-Kenyan African couriers operating out of Kenya's two major international airports and its principal seaport.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** In August, the GOK implemented the provisions of the 1988 UN Convention by enacting the Narcotic Drugs and Psychotropic Substances Control Act. The comprehensive legislation covers drug cultivation, possession, trafficking, forfeiture of assets and proceeds, money laundering, rehabilitation, international assistance, and conspiracy.

The GOK also organized a counternarcotics seminar in conjunction with the UNDCP, and recommended the creation of an inter-ministerial coordinating committee to formulate a national drug policy.

In regional cooperation, ANU officers attended a November workshop in South Africa on the legal aspects of drug enforcement. Kenya agreed to host a meeting of chief narcotics investigators and public prosecutors from Tanzania, Uganda, and Kenya in 1995. In October Kenya sent delegates to Addis Ababa for a conference of the Heads of Drug Law Enforcement Agencies of Africa (HONLEA-Africa).

**Accomplishments and Law Enforcement Efforts.** Kenyan drug enforcement agencies seized roughly 1,000 kgs of cannabis, 22 kgs of heroin, and 23,000 tablets of methaqualone through October. In a noteworthy sting operation, ANU officers arrested a Pakistani national at Kenyatta Airport carrying 4 kgs of heroin, and used the courier to trace, arrest, and convict a Nairobi-based Nigerian trafficker. This case underscores a recent trend by African traffickers to rely on Indian or Pakistani nationals, rather than on other Africans, to smuggle heroin into Kenya from the subcontinent and East Asia.

ANU officials assert that the primary obstacle to more effective law enforcement efforts is neither corruption nor lack of political will, but insufficient finances and equipment. For instance, there are currently no funds budgeted for street informants. Despite this inadequacy of resources, the ANU plans to form a 10-person investigation section in 1995 to focus on trafficking operations in Nairobi.

**Agreements and Treaties.** Kenya acceded to the 1988 UN Convention in 1992. It is a party to the 1961 UN Single Convention and the 1972 Protocol thereto, but does not have any formal counternarcotics or extradition agreements with the USG or with any other government.

**Cultivation/Production.** Cannabis (bhang) is cultivated illegally throughout Kenya, with commercial-scale production near the coast, but there is no data on the extent of cultivation are not available. The GOK is considering the use of aerially-applied herbicides against cannabis crops, but this strategy might prompt opposition, given Kenya's sensitivity to environmental concerns.

**Drug Flow/Transit.** Kenya remains a popular transit point for traffic in Southwest Asian brown heroin and Southeast Asian white heroin. The drugs typically enter the country from India, Pakistan, and Thailand, are picked up by non-Kenyan African couriers, and transported through Nigeria and other west African countries to Europe and the US. Kenyan drug enforcement agencies also report that cocaine from South American source countries is bartered for heroin in Kenya. The cocaine is then exported to Europe, while the heroin is shipped to the US.

**Domestic Programs.** Kenya does not have a national public education program on narcotics, nor are there any drug rehabilitation centers in the country. UNDCP officials, working in conjunction with the GOK, are currently conducting research to determine the extent of drug abuse in the country. The UNDCP's findings are to be published in 1995, enabling the GOK to formulate a demand reduction strategy.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG encourages the GOK to interdict illicit drugs and is prepared to assist the government improve its capabilities to do so.

US Department of Defense officials met with Kenya's Attorney General, the head of the Criminal Investigation Department (CID), and the ANU director in April to discuss possible forms of US assistance for Kenya's antidrug efforts. The GOK submitted a request to DEA headquarters for training assistance. DOD representatives held further talks with the CID and ANU in October about assessment teams (PAT's) that may go to Kenya. A US Customs official met with ANU officers in December to arrange a two-week training seminar for Kenya's drug enforcement agencies in 1995.

**The Road Ahead.** The USG will assist the GOK in realizing the initiatives planned for 1995 by the new ANU Director. With the implementing legislation for the 1988 UN Convention in place, the USG will focus on law enforcement training and on developing information exchange mechanisms with the GOK.

## LEBANON

### I. Summary

Lebanon remained a major nexus for narcotics production and trafficking in 1994. Lebanese success in dramatically reducing the cultivation of both opium and cannabis in 1994 was offset by the continued processing of imported narcotics. Lebanese production facilities maintained pre-eradication levels of output. The Syrians have been cooperative in facilitating some advances in the Lebanese counternarcotics effort. However, no processing laboratories in Lebanon were dismantled, and the number of heroin and cocaine laboratories increased significantly during 1994. The volume of raw opium and cocaine flowing into Lebanon for processing and reexport offset the decreased volume of opium and cannabis cultivated in the Biqa' Valley.

In addition to significant successful eradication efforts, positive developments in Lebanon during 1994 include the lifting of immunity to permit prosecution of a legislator alleged to be corrupt, and the initiation of investigations of other public figures. There was also a marked increase in the number of small seizures and arrests reported in Lebanon, a major seizure of cocaine base in the port of Beirut was recorded, and a major importer of pharmaceuticals was also arrested on suspicion of diverting chemicals to illicit laboratories.

Although Lebanon has signalled its intent to accede, it is not yet a party to the 1988 UN Convention and has not met some of the goals and objectives of the Convention. Lebanon does not have a bilateral narcotics agreement with the United States.

### II. Status of Country

The Bekaa Valley remains a center of international drug production and distribution. Shipments of illicit narcotics from the Bekaa Valley find their way to Europe and the United States.

Lebanese and Syrian scrutiny in and around the Bekaa Valley has contributed to significant decreases in the cultivation of drugs, but credible reports of the participation of Lebanese and Syrian officials in the drug trade persisted. A recent visit by the UNDCP senior legal advisor addressed Lebanon's need to focus on money laundering and precursor chemical legislation, and prosecutorial guidelines. The Lebanese have not reconciled bank secrecy laws with the need to develop safeguards against money laundering. There have been repeated high level statements that Lebanon will maintain its traditional banking secrecy laws.

### III. Country Action Against Drugs in 1994

The joint Lebanese/Syrian eradication program initiated in 1992 attained its greatest success in 1994. USG agencies estimate that as a result of the 1994 eradication campaign less than 90 hectares of opium poppy were available for harvest with the potential to produce less than one metric ton of opium, an 80 percent decrease from 1993 totals. USG agencies also estimate that 1994 hashish cultivation dropped some 50 percent from 15,700 hectares in 1993 to 8,100 this year with a similar production decrease from 565 metric tons in 1993 to 275 tons in 1994.

It was recently reported that the GOL has tentatively agreed to accept the 1988 UN Convention on Narcotics. UNDCP officials are engaged in an extensive effort to establish sentencing guidelines for narcotics offenses and announced that the GOL has identified a prosecutor for these offenses. At present there is a draft law residing with the parliamentary committee for administration and judicial matters targeting money laundering in connection with narcotics violations. The recent assignment of a UNDCP official in Beirut further echoes the government's willingness to address illicit drug matters in the international arena.

Lebanon's coordinated efforts with the UNDCP crop substitution program have convinced some farmers to cultivate staple crops, but the amount of future remuneration for the substitution of crops will determine the continued success of the program.

**Extradition.** There were no known extraditions during 1994 as all narcotics offenses committed in Lebanon are prosecuted locally.

**Law Enforcement Efforts.** Cooperation between Lebanon and Syria resulted in a marked increase in the number of seizures during 1994. The numbers of arrests and seizures in 1994 rose from 250 in 1993 to approximately 1,100 in 1994. Although the majority of seizures were small, in November this cooperation, along with efforts with other governments and organizations, resulted in the seizure of 100 kg of cocaine aboard a Colombian vessel. Three individuals were arrested locally as a result of the seizure and the investigation continues. Lebanese authorities have begun to work closely with European narcotics officials and have made numerous visits to the Bekaa with their European counterparts.

**Agreements and Treaties.** Lebanon and the US have no existing agreements on narcotics or extradition. Lebanese authorities have stated that the Chamber of Ministers has adopted the 1988 Convention on Narcotics but there has been no official announcement.

**Drug Flow/Transit.** This year witnessed the first seizures at airports and seaports and the creation of a narcotics unit assigned to the ports and airport.

**Domestic Programs.** It is difficult to determine the extent of drug addiction in Lebanese society, but anecdotal and media-derived evidence suggest a significant, growing problem. At present the extent of the GOL anti-drug campaign is limited to education and posters in the schools.

#### IV. US Policy Initiatives and Programs.

Embassy and DEA officials continue to stress the necessity of interdicting shipments of narcotics base chemicals and precursor chemicals in visits with Lebanese narcotics authorities.

**Bilateral Cooperation.** The US and Lebanon do not have a bilateral narcotics agreement. DEA and embassy officials maintain close liaison with Lebanese counterparts and have worked in concert with them on numerous controlled deliveries in the region. Embassy and Lebanese counterparts have also worked closely together on matters of mutual concern involving transit of drugs to the United States. The GOL has repeatedly stressed its willingness to combat narcotics and to work closely with USG and third country narcotics efforts.

**Road Ahead.** The progress that the Government of Lebanon is making in counternarcotics through the steps being taken toward acceding to the 1988 Convention on Narcotics and the drafting of laws addressing money laundering schemes, constitute grounds for cautious optimism. The willingness of the Government of Lebanon to pursue the prosecution of a member of Parliament is another indicator of its increased seriousness in its counternarcotics efforts. The posting of a UNDCP official will assist the Lebanese authorities in crafting narcotics statutes consistent with international standards.

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**Statistical Tables**

TABLES for CY		1994	1993	1992	1991	1990
<b>OPIUM</b>						
Harvestable Cultivation	[ha]	-	440	none	3,400	3,200
Eradication	[ha]	0	0	0	0	0
Cultivation	[ha]	-	440	0	3,400	3,200
Potential Yield	[mt]	-	4	0	34	32
<b>CANNABIS</b>						
Harvestable Cultivation	[ha]	-	15,700	0	15,200	11,100
Eradication	[ha]	0	0	0	0	0
Cultivation	[ha]	-	15,700	0	11,000	11,100
<b>HASHISH</b>						
Converted from cannabis	[mt]	-	565	-	545	100
<b>HEROIN</b>	[mt]	-	0.04	-	3.4	6.5
<b>Refining</b>						
Heroin	[mt]	-	1-3		3.0	3.0
Hashish	[mt]	-	565		545	100
Cocaine	[mt]	-	1-2	-	-	-
<b>Seizures</b>						
Opium	[mt]	-	-	0.003	0.01	-
Heroin	[mt]	0.018	-	0.073	0.02	-
Cocaine	[mt]	0.111	-	0.13	0.01	-
Hashish	[mt]	39.6	-	-	-	-
<b>Arrests</b>		-	-	-	-	-

2/25/95

## MOROCCO

### I. Summary

Morocco is one of the world's largest producers of cannabis. Most Moroccan production is processed into hashish resin or oil, and exported to Europe, Tunisia, and Algeria for consumption or for re-export. Cannabis cultivation and sale is the economic base of a large portion of northern Morocco. Latin American cocaine and Asian heroin enter the country, both to service a small, but growing domestic market, and for transshipment to Europe; the drugs are trafficked through routes historically used for the cannabis trade. The Government of Morocco (GOM) devoted significant resources in 1994 to interdiction efforts, targeting small and medium-scale hashish traffickers. However, producers and large-scale traffickers operated with virtual impunity, due to GOM budgetary constraints, corruption, and nearly exclusive focus of the authorities on lower-level couriers.

Morocco is a signatory to the 1988 UN Convention. However, the Moroccan Parliament has not passed the implementing legislation proposed by the Ministry of Justice.

### II. Status of Country

Estimates of the portion of the cannabis crop consumed domestically range from 15 to 40 percent. Moroccan officials and health care workers increasing cocaine and heroin addiction in urban areas, although there were only small seizures of these drugs in 1994. Drug money contributed to a construction boom throughout the country; as an increasing number of office and apartment buildings sit unoccupied, traffickers are seeking new investment opportunities.

### III. Country Action Against Drugs in 1994

**Policy Initiatives.** In December, the Moroccan Minister of the Interior presented to international donors a white paper on combatting drugs which calls for the GOM to invest \$100 million annually in agricultural infrastructure, social benefits, and crop substitution for the Rif region, Morocco's main cannabis cultivation area. The initiative also envisions a contribution from the European Union (EU) of more than \$2 billion over a five-year period. However, the EU only acknowledges a commitment to provide \$30 million for development programs in the Rif region over a two-year period.

**Cultivation and Production.** Moroccan officials estimate that 55,000-60,000 hectares were under cultivation in the Rif region in 1994, compared to the 50,000 hectare estimate given by the King in a 1993 speech. Vast new resources would be required to implement the crop substitution programs the GOM proposes to replace income lost through crop eradication.

**Law Enforcement.** The GOM claims 10,000 law enforcement personnel are now assigned to counternarcotics duty in northern Morocco, as opposed to the 3,000 person-force reported in 1993. While drug arrests increased to 8,256 in 1993 from 3,928 in 1987, this increase is more likely due to increased drug production, than improved law enforcement.

Arrest data for 1994 have not been released.

Moroccan law has not been amended to permit asset seizure or undercover operations involving the controlled delivery of illegal drugs. Cooperation between Moroccan and foreign law enforcement agencies in drug matters is limited to training and liaison. The GOM accomplished no drug-related extraditions, joint operations, or joint investigations during the year.

**Agreements and Treaties.** Morocco ratified a mutual legal assistance treaty with the US in 1993. Morocco and the US concluded a narcotics cooperation agreement in 1989. Morocco also has antinarcotics or mutual legal assistance agreements with the EU, France, Spain, Germany, Italy, Portugal, and the UK.

**Corruption.** There are credible reports that GOM officials, including high-level officials, have been involved in the drug trade. However, in 1994 only one mid-grade police official was sentenced to prison for drug trafficking. The GOM normally targets low-level traffickers, permitting major traffickers and corrupt officials to act with impunity.

**Drug Flow/Transit.** Cocaine from South America is transshipped across Morocco by air to Europe primarily by Latin American and West African couriers, or by sea from ports in Casablanca and Tangier. Some cocaine enters Morocco from Europe, as payment in kind for exported cannabis, and is sold domestically. Small amounts of heroin from Asia arrive in Morocco for transshipment to Europe and, to a lesser extent, for domestic distribution.

**Demand Reduction.** The GOM does not acknowledge a significant hard drug addiction problem in the country, nor does it promote a reduction in the domestic demand for cannabis.

#### **IV. US Policy Initiatives.**

The USG encourages Moroccan anti-narcotics efforts by cooperating with law enforcement officials to curtail the production and transshipment of drugs; providing training in law enforcement techniques; promoting GOM adherence to bilateral and international agreement requirements; providing support, as appropriate, for Moroccan-European drug control cooperation; and encouraging greater international cooperation to control Moroccan production and exportation of drugs.

**Bilateral Cooperation.** The US and Morocco maintain a dialogue on drug issues under their 1989 narcotics agreement. The USG provides training and narcotics intelligence where possible. The US also participates in the Dublin Group, both at the ministerial level and at the working-group level in Rabat.

**The Road Ahead.** The USG will monitor the narcotics situation in Morocco, cooperate with the GOM in its drug control efforts, support the Dublin Group process, and offer law enforcement training, intelligence, and other support where appropriate.

## NIGERIA

### I. Summary.

A major transit country for Asian heroin and Latin American cocaine destined for the international market, Nigeria is the focal point for most West African trafficking organizations. The government of Nigeria (GON) has not addressed adequately corruption among law enforcement agencies, thereby hindering counternarcotics efforts. The export of Nigerian drug trafficking to Liberia and other West Africa countries is of particular concern. The focus of the Nigerian Drug Law Enforcement Agency (NDLEA) remained almost exclusively on drug couriers, rather than on leaders of drug trafficking groups.

The GON did begin to show concern about international and domestic drug abuse during 1994. The GON prepared a draft national drug policy plan designed to curb trafficking and substance abuse. The GON formed a ministerial level task force on drug abuse which will develop a drug control strategy by mid-1995. In December, the GON appointed a special advisor on drugs, money laundering, and fraud whose task is to coordinate the antidrug efforts of the NDLEA, the police, and the customs agency. The GON returned to the United States three major heroin traffickers.

### II. Status of Country.

Nigerian trafficking organizations control courier networks that move heroin from Asia to the US and Europe; they also run sophisticated money laundering operations. In response to increasingly vigorous international law enforcement, Nigerian drug organizations quickly adapt, find new means to evade detection, and alter and expand their heroin smuggling routes and markets. Traffickers import South American cocaine for reexport to the US and Europe and, to a lesser degree, for consumption in Nigeria. They also ship cannabis -- the only illicit drug grown in Nigeria -- to Europe and other countries in West Africa.

### III. Country Action Against Drugs in 1994.

**Policy Initiatives.** Responding to USG extradition requests, the GON returned three major Nigerian traffickers to the US to face drug charges. The GON developed a national drug control policy to curb trafficking and substance abuse, but did not sign the plan into law; it was referred to an inter-ministerial task force on national drug control strategy created by Head of State Abacha to oversee and coordinate nationwide antidrug efforts. On December 27, the GON appointed a special advisor on drugs, money laundering, and advance fee fraud. The government did not introduce legislation providing for the seizure and forfeiture of narcotics traffickers' assets and took no enforcement actions in this area.

**Accomplishments.** The NDLEA and other law enforcement agencies conducted small drug raids and seizures, primarily at airports, seaports, and border checkpoints. The GON increased its cannabis seizures and arrests of minor drug offenders. The GON also engaged a team of American legal and drug enforcement experts to examine the money laundering statutes

with a view to strengthening them. The NDLEA seized two air cargo shipments containing \$2 million in gold believed to be drug trafficking proceeds, acting on USG-provided information. Although it failed to apprehend two major traffickers whose extradition the US has sought since 1992, the NDLEA arrested and turned over to US law enforcement authorities three other Nigerian drug dealers wanted in the US.

**Law Enforcement Efforts.** The effectiveness of Nigerian counter narcotics efforts remained inadequate. Operations were hindered by the lack of cooperation between the NDLEA, police, and customs. Rampant corruption in every law enforcement body continued unabated. The military general appointed in late 1993 to head the NDLEA pledged to rid the agency of corrupt officials and downsize it from its estimated staff of 2,000. The new administrator initially relieved as many as 350 NDLEA agents, but later hired an estimated 700 new agents. NDLEA screening and training procedures continued to be inadequate: some current and newly appointed agents have known drug ties. NDLEA cooperated only minimally with foreign missions. Although in late 1994 the NDLEA began to cooperate more closely with the USG, the narcotics task force created in 1993 to locate traffickers sought by the USG was inactive throughout the year. The NDLEA was unable or unwilling to use USG-provided assistance effectively, and the agency focused on apprehending couriers, rather than those controlling trafficking networks.

The authorities made no money laundering arrests or prosecutions. The GON took no steps to reduce cannabis production in the country.

**Corruption.** The GON replaced the discredited former leader of the NDLEA and expressed concerns about corruption in antinarcotics agencies. However, it did not investigate or punish any senior official for alleged involvement in the drug trade. While encouraging narcotics trafficking and money laundering do not appear to be objectives of official government policy, there appears to be rampant corruption that facilitates trafficking and money laundering.

The GON did not foster or protect an independent judiciary for drug cases, nor encourage prosecution of money laundering cases. It permitted the circumvention and/or intimidation of honest officials who sought to fight drug trafficking. Drug suspects often were released without proper court authorization, and thefts of drug evidence prevented prosecution of drug cases or resulted in the release of drug suspects.

**Agreements and Treaties.** Nigeria is a party to the 1988 UN Convention, the 1961 UN Single Convention, and its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances. The 1931 US-UK extradition treaty, extended to include Nigeria in 1935, is the legal basis for USG extradition requests. The US and Nigeria signed a mutual legal assistance treaty in 1989, but it has not been ratified. The Nigerian government and Nigeria Airways signed an air carrier agreement with US Customs in 1993. The Nigerian government has not entered into an asset sharing agreement with the USG, or any other country.

**Demand Reduction Programs.** There has been a rise in domestic drug abuse in Nigeria, along with the growth of drug trafficking. The Nigerian government began to show some interest in the problem of increased domestic consumption in 1994. A credible demand reduction program should be established in 1995.

#### **IV. US Policy Initiatives and Programs.**

**US Policy Initiatives.** Reduction of trafficking in illicit drugs by Nigerian citizens, particularly of heroin destined to the US, is the goal of US policy. Its realization depends on the willingness of the GON to arrest or extradite major traffickers, and to enforce anti-conspiracy laws that will allow the prosecution of the drug barons behind the couriers. The USG has offered to assist the GON with training and information sharing. The GON must improve operational cooperation and make a realistic effort to stamp out corruption in Nigerian counternarcotics agencies.

**Bilateral Cooperation.** Cooperation between the US and Nigeria was far below USG expectations; Nigeria did not fulfill the conditions of its bilateral narcotics agreement with the US. The USG will continue to seek the extradition of two major traffickers sought since 1992, as well as other drug offenders remaining at large. The US-Nigerian Joint Narcotics Task Force (JNTF), a cooperative effort between the NDLEA and the DEA, was inactive in 1994 and should be reactivated in 1995. The NDLEA did not make effective use of previously provided USG assistance.

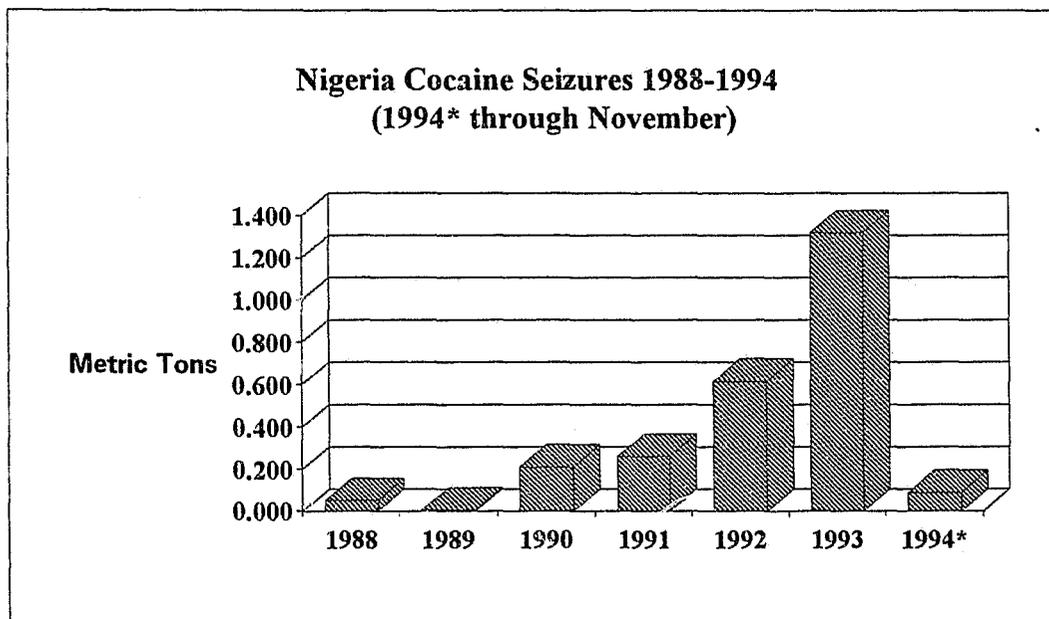
**Road Ahead.** The USG will stress to the GON the importance the USG attaches to narcotics control. Specifically it will:

- Press for the extradition of prominent traffickers and other Nigerians wanted in the US on drug charges;
- Call for the investigation, arrest and prosecution of major traffickers, as opposed to confining efforts to apprehending couriers;
- Press for aggressive investigative and other enforcement efforts aimed at dismantling trafficking organizations;
- Monitor the GON's willingness to share intelligence on the operations of trafficking organizations within Nigeria with the international community;
- Advocate effective GON attacks on corruption and on the lack of coordination among its drug law enforcement agencies, especially the NDLEA;
- Seek the enforcement and strengthening of money laundering and asset seizure and forfeiture laws through the development and effective enforcement of a money laundering bill based on the UNDCP model; and
- Encourage the reform of banking regulations to increase the integrity of financial transactions.

**Statistical Tables**

TABLES for CY		1994*	1993	1992	1991	1990
<b>Seizures [a]</b>						
Cocaine	[mt]	0.089	1.319	0.617	0.261	0.211
Heroin	[mt]	0.091	0.288	0.179	0.223	0.043
Cannabis	[mt]	14.259	7.437	2.969	1.095	0.066
Other	[mt]	0.093	0.017	0.019	0.016	na
<b>Arrests</b>						
Nationals		297	151	400	179	485
Foreigners		3	0	0	0	0
Total Arrests		300	151	400	179	485

[a] 1994 figures are through November. Last's years 1993 data have been revised to reflect full year.



2/23/95

## SENEGAL

### I. Summary

Senegal an important transit point for heroin and cocaine, given its good air and sea connections to Europe and North America, as well as its worsening economic climate. The suspension of direct commercial flights between Lagos and New York in 1993 increased the importance of Dakar as a direct transit point for Nigerians smuggling Asian heroin to the US. Drug abuse is increasing among Senegalese youth. Senegal is a party to all the major international treaties dealing with drug production and trafficking, including the 1988 UN Convention. However, the Government of Senegal (GOS) is not in full compliance with the Convention because of inadequate resources, weak border controls, and as well as competing national priorities. The GOS has devoted little effort to controlling the production of cannabis. Law enforcement also is hampered by inefficient coordination among various GOS agencies.

### II. Status of Country

However, Senegal has grown in importance as a transit point for drugs bound for the North American and European drug markets. Nigerian nationals lead the list of couriers arrested in Senegal. The suspension of the direct air link between Lagos and the US has made Dakar more attractive to Nigerian, with direct biweekly flights from Dakar to New York.

Senegal is not a major drug-producing country. The only drug crop cultivated is cannabis, sold mostly for local consumption. There is no evidence that Senegal is a major money laundering center.

### III. Country Actions Against Drugs in 1994

**Accomplishments.** The Government of Senegal (GOS) made no significant progress in the effort to end the illicit cultivation and distribution of cannabis. Senegal does not have the resources to conduct an effective eradication program.

**Law Enforcement Efforts.** Authorities make most drug-related arrests as a result of search and seizures at Dakar Yoff airport. Although statistics for the 1994 are not yet available, there were 20-30 drug arrests annually in years past. There are continuing problems with coordinating among the various GOS agencies dealing with drug trafficking. The National Commission on Narcotics has not proven to be effective in coordinating drug enforcement activities.

**Corruption.** Although it is difficult to document, it is likely that corruption in the lower civil service levels plays a role in the illicit narcotics trade in Senegal.

**Agreements and Treaties.** Senegal is a party to all three major UN Conventions, including the 1988 Convention. Senegal has extradition treaties with Cape Verde, the Gambia, Guinea Bissau, Mali, Morocco, Tunisia and France. Senegal is a member of INTERPOL and relies heavily on drug information obtained through its channels.

**Cultivation/production.** Senegal's narcotics production is limited to cannabis, none of which is exported.

**Drug Flow/Transit.** Drug trafficking through Dakar appears to be rising, although its rate of growth is difficult to chart because the GOS publishes statistics on drug arrests and seizures infrequently.

**Demand Reduction.** During 1994, a local group associated with the Ministry of Interior formed the first Sub-Sahara Africa chapter of PRIDE which promotes a parent-teaching approach to drug education, and introduced the PRIDE methodology into local schools and youth groups. The group also has proposed opening a drug treatment center.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG seeks to assist the GOS in curbing the transit of narcotics through Dakar.

**Bilateral Cooperation and Accomplishments.** In March, US Customs presented a drug course in Dakar for 24 students from the Senegalese police, Customs and Gendarmerie.

**The Road Ahead.** Although receptive to counternarcotics training and materials, it is unlikely in the current climate of economic decline that the GOS will increase its resources targeted against illicit narcotics. National priorities are dominated by other more pressing social and economic problems, despite the increase in local drug use.

## SYRIA

### I. Summary

Syria is an important transit point for narcotics flowing through the Middle East to Europe and, to a lesser extent, the US. In addition, Syria has a responsibility for assisting Lebanese authorities to end drug production and trafficking through Lebanon because of the presence of some 30,000 Syrian troops in the Bekaa Valley of Lebanon. In 1994, Syria continued and expanded its cooperation with Lebanese authorities to eradicate opium poppy and cannabis cultivation in the Bekaa, significantly reducing opium and cannabis cultivation. Syrian forces increased seizures of cocaine, heroin, and hashish and raised the number of arrests of drug traffickers in Syria and Lebanon. Syrian military authorities in Lebanon assisted in a significant seizure of cocaine base delivered to Beirut's port. Despite these efforts, however, the flow of narcotics did not diminish in 1994.

The Syrian government has reiterated its willingness to pursue all information regarding the possible production of narcotics in Lebanon and Syria. Nevertheless, neither the Syrian nor the Lebanese authorities moved successfully against cocaine or heroin laboratories operating in either country. There were a significant number of arrests in Syria for drug-related offenses, but despite reports of individual Syrian military personnel profiting from the drug trade in Lebanon, the government initiated no corruption investigations nor brought charges against any Syrian security or military personnel during the year.

The USG does not provide Syria with bilateral assistance and does not support loans for Syria in multilateral institutions.

Syria is a party to the 1988 UN Convention. Syria does not have a bilateral narcotics agreement with the US.

### II. Status of Country

There were continuing reports that Syrian military and security personnel personally profited from the drug trade in 1994. Syria remained a transit site for drugs processed within Lebanon or imported from third countries. Lebanese hashish transits Syria in route Egypt and the Gulf region. Syria did not collaborate sufficiently with the Lebanese to stop the transit of raw drugs base moving to cocaine and heroin production laboratories in Lebanon.

### III. Country Actions Against Drugs in 1994

**Policy Initiatives.** There were no new policy initiatives, but the Syrian government continued to implement its stiff 1993 drug law. The Syrian antinarcotics police arrested over 1,500 suspects on drug charges, and sentences ranged from two to twenty years. There were also at least four ongoing cases in which the defendants faced the death penalty for trafficking.

The Syrian government hosted the 30th session of the UNDCP's Subcommission on Illicit Drug Traffic in the Near and Middle East in February 1994.

**Accomplishments.** Joint Syrian and Lebanese eradication efforts in the Bekaa Valley drastically reduced potential annual opium production to less than one mt. In addition, USG estimates indicate Syrian and Lebanese officials destroyed nearly 50 percent of the cannabis crop between 1993 and 1994.

Syrian and Lebanese authorities jailed and fined some farmers still engaged in illicit cultivation. Lebanese officials working with the UNDCP crop substitution program in Lebanon claimed that farmers might return to drug crops if the Syrian forces lessened their efforts against illicit cultivation. The UNDCP maintains a small program in Syria to train antinarcotics officials and enhance interdiction capabilities.

**Extradition.** There were no known instances of narcotics-related extradition from Syria. Syrians detained in Lebanon for drug-related offenses are turned over to Syrian military officials by the Lebanese for detention and prosecution in Syria.

**Law Enforcement Efforts.** While the reported number of seizures and the percentage of drug crops destroyed in Lebanon both rose in 1994, the Syrians and Lebanese did not make progress against cocaine and heroin laboratories operating in the Bekaa Valley and elsewhere in Lebanon and Syria. Syrian officials deny the existence of drug production facilities in Syria. Successful joint operations with the Lebanese netted a Bekaa Valley pharmaceuticals importer suspected of diverting chemicals needed to manufacture cocaine. In November, authorities seized 100 kgs of cocaine base in Beirut's port found aboard a Colombian ship.

**Corruption.** Credible reports of Syrian military protection for drug traffickers persisted in 1994, despite official claims to the contrary. The Syrian government asserted that there was no evidence on which to base the investigation of any Syrian military personnel for involvement in drug trafficking. Syria does not as a matter of government policy encourage the production or distribution of drugs.

**Agreements and Treaties.** Syria is a party to the 1988 UN Convention and the 1961 UN Single Convention on narcotics and its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances. Syria maintains antinarcotics trafficking agreements with Germany, Iran, Jordan, Lebanon, the Netherlands, Cyprus, Saudi Arabia, and Turkey. Syria and the US do not have a narcotics agreement, nor is there an extradition treaty between the two countries. Syria is a member of Interpol.

**Drug Flow/Transit.** Raw materials for the production of heroin and cocaine are reported to transit Syria on their way from Turkey to Lebanon for processing. Syrian authorities maintained that no such transit occurs, but promised to follow up on the reports. The Government of Syria believes raw opium may enter Lebanon by sea directly through Lebanese ports. Cocaine does not appear to transit Syria to the same degree as opium; Syrian authorities said they seized only 2 kgs of cocaine during the first six months of 1994. Overland routes through Syria provide a means for smuggling Capaton (fenethyline) to Saudi Arabia and other countries in the Middle East.

The quantities of narcotics seized by Syrian authorities failed to reflect the full scope of the smuggling, transit, and distribution of drugs and precursor chemicals in and through Syria and Lebanon. The magnitude of the transit problem is illustrated by Turkey's seizure in December of a 16.5 mt shipment of acetic anhydride aboard a Honduran vessel coming from Lebanon.

**Domestic Programs.** Continuing publicity about the new drug law is considered to have been sufficient to discourage demand for drugs, and there are no additional programs being designed to reduce demand. There is anecdotal evidence of increased drug use among well-to-do young people, but social stigma and strong family traditions combine with strict laws to limit drug abuse. The government maintains two short-term treatment centers, and is planning a third. Private doctors also provide treatment, although there does not appear to be any coordination between private and public centers.

**Law Enforcement and Transit Cooperation.** In addition to cooperation with Lebanon, the Syrians also engaged in "controlled deliveries" with Jordan and Lebanon of 2,050 kgs of hashish moving from Lebanon through Syria into Jordan, presumably destined for the Gulf region.

#### IV. US Policy Initiatives and Programs

**Policy Initiatives.** The USG stresses to the Syrian government the need to continue its efforts to end drug crop cultivation in those areas of Lebanon in which it maintains a presence; of expanding its joint efforts with the Lebanese to dismantle drug laboratories and interdict shipments of narcotic base materials and precursor chemicals; and of ending any involvement, active or passive, of individual Syrian officials in the drug trade.

**Bilateral Cooperation.** The US and Syria do not have a bilateral narcotics agreement. However, DEA officials based in Nicosia and US Embassy officials in Damascus maintain liaison with the Syrian National Police antinarcotics unit. In addition, US officials periodically shares their views and recommendations with the Ministers of Foreign Affairs and Interior. The Syrian government exchanged information concerning ongoing investigations to interdict narcotics coming from Lebanon.

**The Road Ahead.** The USG will encourage high-ranking officials of the Syrian government to close drug processing facilities in areas of Lebanon where Syrian forces are present, and to end the involvement of Syrian officials in all facets of drug trafficking. It also will encourage the Syrian government to sustain the positive efforts on eradication it has made to date, and to expand its collaboration with the Lebanese government to attack drug production and transit in the region.

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**Statistical Tables**

TABLES* for CY		1994	1993	1992	1991	1990
<b>Seizures</b>						
Heroin	[kg]	5.000	6.252	73.00	37.09	20.00
Cocaine	[kg]	0.2	11.601	12.00	-	10.00
Marijuana	[kg]	-	-	-	-	23.00
Hashish	[mt]	0.244	0.780	2.97	115	-
<b>Arrests</b>		2,341	2,064	2,376	3,684	1,175
<b>Consumption**</b>						

\* All information contained in these tables has been provided by the Syrian Government. 1994: First six months only; 1993: seizures for full year; 1992: Seizures January 1- December 14; 1991: January 1- October 31.

\*\* The Syrian Government does not keep records of estimated quantities of drugs consumed.

## TUNISIA

### I. SUMMARY

Tunisia's role as a drug transshipment point is limited, and the government works closely with neighboring states and with international bodies to interdict shipments. Tunisia has only a minor domestic demand problem. The use of drugs such as heroin and cocaine is virtually non-existent, but there is some cannabis cultivated and consumed in rural areas. The Government of Tunisia (GOT) is concerned about the abuse of prescription drugs, and has an active antidrug education program with a special focus on youth. There is no counternarcotics agreement between the US and Tunisia. Tunisia was an early ratifier of the 1988 UN Convention, and the GOT makes a sincere effort to comply with its provisions.

### II. Status of the Country

There is some scattered production of cannabis in northern Tunisia, but it rarely enters commercial channels. Consumers generally are older farmers; the use of cannabis and cannabis resin was legal in pre-independence Tunisia.

### III. Country Action Against Drugs in 1994

The most visible government effort was its active antidrug education program, focusing on youth. The government also sought to curb the abuse of prescription drugs by Tunisia's growing middle class.

Tunisia has an active narcotics interdiction effort. The Police, National Guard, and Customs Service have drug enforcement units. Tunisia has tough security/anti-terrorist procedures which include thorough customs checks and arbitrary vehicle and pedestrian inspections. However, such efforts are hindered by Tunisia's relatively long borders, lack of personnel and equipment, and its interest in attracting foreign tourists. No government officials were implicated in drug-related corruption during 1994.

### IV. US Policy Initiatives and Programs.

The USG supports Tunisian efforts to comply fully with the 1988 UN Convention, and seeks Tunisian support for US international antinarcotics initiatives. There is no US-Tunisia bilateral narcotics agreement, but the USG in the past provided narcotics-related training assistance in maritime security for Tunisian customs officials. The USG will use all appropriate means to enhance Tunisian capabilities in its narcotics control efforts.

## OTHER AFRICA AND MIDDLE EAST

**ALGERIA.** Algeria faces relatively modest problems of drug consumption and trafficking, although domestic consumption and the transit trade in cannabis and pharmaceuticals appeared to be increasing until the border with Morocco was closed in September. Cannabis appears to be the only narcotic cultivated or produced in Algeria, and is grown for the domestic market. The Algerian government estimates that 95 percent of the narcotics brought into Algeria, primarily hashish from Morocco, are reexported to Europe or the Middle East.

Narcotics-related corruption does not appear to be a problem in Algeria; competing priorities are the major obstacles to effective law enforcement. Algeria has signed the 1988 UN Convention and attempts to meet its goals and objectives, but it is hampered by a lack of resources and political unrest.

Algeria averages more than 2,500 seizures annually. The majority take place in the Western regions of the country near the Moroccan border and involve hashish or cannabis from Morocco. In April, customs in Oran seized 132 kgs of hashish destined for Europe; in June, police intercepted 80 kgs arriving from Morocco. Algerian government demand reduction efforts focussed on encouraging youth associations to work in poorer neighborhoods to discourage drug consumption.

Algeria is a member of the Customs Cooperation Council, in which European and Maghreb countries exchange information on drug trafficking. Authorities cooperate with enforcement officials in other countries on narcotics-related issues; Algerian police also cooperate closely with Interpol.

**BENIN.** Benin is not a significant narcotics producer or consumer country, but there has been a growing trafficking problem. Because of Benin's rather porous land and sea borders with Nigeria, Nigerian traffickers smuggle heroin from Asia and cocaine from South America through Benin, destined for US and European markets. Given Benin's dismally low GNP, it is not difficult to find willing candidates to assist with facilitating the transit of drugs. Benin is not a party to the 1988 UN Convention, although it is a party to the 1961 Single Convention, the 1971 Protocol and the 1971 Convention.

The Government of Benin's (GOB) anti-narcotics programs are somewhat diluted because Benin's legal basis for prosecuting drug offenses rests on an obsolete 1976 law which in effect reduces drug trafficking to a misdemeanor status. The major consequence of this anomaly is that little incentive is provided for Beninese prosecutors to pursue narcotics cases. Notwithstanding these deficiencies, the GOB has shown a marked increase in its concern for narcotics transshipments and has worked closely with the US and other countries to interdict the traffickers and seize the contraband. There were no instances of drug-related public corruption reported by the GOB in 1994. An eight-day seminar on overseas enforcement training, conducted by the US Customs Service, is scheduled to be held in Cotonou in April, 1995. During 1994 the USG provided two patrol boats for the small Beninese navy to assist its efforts to interdict traffickers.

**BOTSWANA.** Botswana is a transit country primarily for Mandrax (methaqualone) shipped through east and central Africa from India, and destined for South Africa. Botswana is not a major producer or consumer of illegal drugs. There is some local production and use of marijuana, and Mandrax is consumed in limited quantities. Botswana is an active participant in regional and international efforts to combat drug smuggling, although its efforts are limited by the size of its sixty-person narcotics squad. There does not appear to be corruption problem among counternarcotics enforcement agencies. Botswana is not a signatory to the 1988 UN Convention, although it is a party to the 1961 Single Convention, its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances.

**CAMEROON.** Cameroon is not a significant narcotics producing or consuming country, but there has been an increase in Asian heroin smuggled to Nigeria via Cameroon. The increase in drug trafficking activity in 1994 also reflected worsening economic conditions, the devaluation of the CFA, and a stronger effort by traffickers in neighboring Nigeria to take advantage of relatively weak controls at Cameroon's border posts and airports.

Cameroon is a party to the 1988 UN Convention, and to the other major UN Conventions, but has addressed only some of the Conventions' objectives; it has met those with limited success. Most of the government's counternarcotics resources are devoted to airport interdiction and to roadblocks, and seizures during 1994 increased significantly. The Government of Cameroon did not report any instances of drug-related corruption on the part of public officials in 1994.

The USG withheld narcotics assistance in 1992 as part of the overall suspension of assistance because of Cameroon's inadequate record in democratization, human rights, and economic reform. The narcotics aid was not released in 1993 or in 1994 because of the unwillingness of the police to furnish drug data to the USG. However, during 1994 some senior police officials indicated a greater willingness to cooperate with the USG on counternarcotic efforts.

**CAPE VERDE.** Cape Verde is not a significant narcotics producer or consumer country, but it is a transit route for narcotics, particularly cocaine, shipped by sea and air from Asia and South America to Europe and North America. The Government of Cape Verde (GOCV) showed greater concern over narcotics during 1994, and undertook some concrete actions. To improve its ability to patrol its territorial waters, it signed an agreement with Mauritania for the use of a 100-foot ocean-going naval vessels. The GOCV also launched a National Coordinating Commission to Combat Drugs, which is to develop a two-track approach to narcotics control by improving law enforcement and establishing rehabilitation programs. The GOCV sent its Director of Judicial Policy to the Naples Conference on Organized Transnational Crime. Corruption of public officials is not a problem. Although it is a party to the 1961 UN Single Convention, its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances, Cape Verde is not a party to the 1988 UN Convention, nor is there any bilateral agreement regarding narcotics between the US and Cape Verde.

**JORDAN.** Illegal transit of narcotics is still a small problem in Jordan, although there is some trafficking of drugs from Lebanon to Egypt and Saudi Arabia. However, authorities are concerned that the opening of new border crossing points with Israel could increase the country's attractiveness to international trafficking organizations. Jordan has comparatively few problems with drug use; cultural norms limit the use of drugs primarily to hashish. There are no major problems of narcotics cultivation, money laundering, or precursor chemical diversion. Jordan cooperates with its neighbors on the illegal transit of drugs.

The GOJ is committed to combatting increasing domestic consumption. Programs for rehabilitation and drug education also expanded, and a hospital for the treatment of drug-related problems was opened.

Jordanian authorities maintain liaison with the USG and several other governments on international narcotics matters. Jordanian police and security services have excellent professional relationships with Interpol and appropriate USG law enforcement agencies. The government's budgetary and personnel constraints limit efforts to enhance counternarcotics performance.

The US and Jordan currently are negotiating an extradition treaty. It is expected that cooperation with the United States will be maintained, and that the GOJ will continue to rigorously enforce its strong anti-narcotics measures and asset seizure laws.

Corruption does not appear to be a problem. Jordan has signed the 1988 UN Convention and is working to comply with its goals and objectives.

**LESOTHO.** Lesotho is neither a significant producer nor a major consumer of illegal drugs. Cannabis is cultivated as a cash crop; it is exported to South Africa or consumed locally. Lesotho is a transit route for smugglers moving Mandrax from India to South Africa, but the extent of this traffic is unknown. Lesotho's tiny Drugs and Diamond Smuggling Unit cooperates with the South African police in interdiction, but is ill-equipped to undertake major actions on its own. An officer from the unit attended a DEA-sponsored regional workshop in Harare, Zimbabwe, in 1994. The Government of Lesotho reported no instances of drug-related public corruption in 1994. Lesotho is not a party to the 1988 UN Convention, although it is a party to the 1961 Single Convention, its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances.

**MAURITIUS.** The principal narcotics problem for Mauritius continues to be trafficking of heroin brought into the country from Bombay by couriers via commercial airlines. The volume suggests that a significant part of the shipments is for onward shipment but there is no hard evidence yet developed to confirm this. Good air and sea connections to Europe and South Africa, the establishment of a free port, a growing offshore banking industry, and the large cash-turnover of its successful tourist industry all indicate that Mauritius may develop into a major narcotics transshipment point and money laundering center.

During 1994, narcotics-related problems made headlines with increasing regularity, leading to the establishment of a Parliamentary committee to address the issue of drugs in Mauritius and the adoption of a constitutional amendment which improves law enforcement officials' ability to pursue drug traffickers. The GOM also recognized that it needed to extend its fight against drugs beyond its borders and assigned police officers to Bombay and Singapore where they worked effectively and have assisted with several arrests. Internally, in August 1994 the Prime Minister appointed a new Commissioner of Police who instituted a system designed to get all police units involved in the fight against drugs and to improve information sharing with the GOM. The GOM reported no instances of drug-related corruption by public officials in 1994. Mauritius has signed but not ratified the 1988 UN Convention. It is a party to the 1961 Single Convention and the 1971 Convention, and increasingly is pursuing bilateral agreements to combat narcotics. USG goals are to assist Mauritius in limiting its very real potential for growth in narcotics transshipment and money laundering.

**MOZAMBIQUE.** Mozambique is not a significant drug producer or exporter, nor is it a important center for money laundering. Concern is growing, however, about the increasing use of Mozambique as a transit point for mandrax (which is a legal substance in Mozambique), South American cocaine, and heroin from Asia. Local interdiction efforts are extremely weak due to an undermanned counternarcotics unit. Marijuana use is common among rural Mozambicans and is often cultivated for traditional medicinal purposes and not for exportation.

Mozambique is not a party to the 1988 UN Convention or any of the other UN Conventions on narcotics. There are currently no bilateral agreements between the USG and the GOM on narcotics matters. Mozambique, one of the world's most aid-dependent economies, is receiving no foreign financial assistance in counternarcotics. Drug-related public corruption appears not to be a problem and no instances were reported by the GOM in 1994.

**NAMIBIA.** Namibia is neither a producer nor consumer of illicit narcotics, but its role as a transit point for Mandrax (European trade name for methaqualone combined with an antihistamine) from India destined for South Africa and South American cocaine, smuggled via Angola to South Africa and Europe, is growing. In 1992 the Government of Namibia (GON) created the Drug Enforcement Bureau as part of the police department. This Bureau has grown from 15 to 70 members in the past two years. Nevertheless, counternarcotics measures are, at best, barely adequate for the job, and more equipment, training, and personnel are needed, particularly in the field of interdiction and seizure. To this end, in 1994 DEA provided drug enforcement training to Namibian counterparts. There has been no report of any drug-related corruption of public officials. Namibia is not a party to the 1988 UN Convention, but it will adhere to many of the Convention's goals and objectives if, as anticipated, it promulgates in 1995 the Drug and Drug Trafficking Act. One of the USG's goals will be to have Namibia become a party to the Convention in 1995 as well.

**NIGER.** Niger is neither a significant producer nor a consumer of illicit drugs, nor is it considered an important transit point. The Government of Niger (GON) has no bilateral counternarcotics treaties or agreements with the US, although it does have several agreements with France and Nigeria. There is no evidence that GON officials are involved in drug-related corrupt activities. Niger is a party to all the major UN narcotics Conventions, including the 1988 Convention.

The GON appears to be willing to do what is necessary to prevent drugs from becoming a problem for Niger. New legislation will be brought before the 1995 National Assembly and is expected to pass easily, which would largely bring Niger into conformity with the 1988 UN Convention. Niger is on schedule in its efforts to complete the goals of its 1993 Five-Year Plan on counter-narcotics. These goals are increasing attention to domestic demand reduction, improving training and research facilities, creating regional commissions to better coordinate counternarcotics law enforcement, and developing the National Center for the Repression of Illicit Drug Trafficking.

In 1994, the USG donated a computer with appropriate software to be used by the GON to track data and generate reports. Given Niger's relatively modest problems with illicit drugs, the GON's efforts in this field are not given top priority. US goals will continue to focus on border control issues.

**SEYCHELLES.** The Republic of Seychelles is neither a producer nor a major consumer of illicit drugs, and its involvement in drug transshipment appears to be quite minimal. Given its size, isolation, and strong governmental internal control, it is unlikely that it will become a major player in the world of narcotics will develop. The Republic of Seychelles is a party to the 1988 UN Convention, as well as the 1961 Single Convention and its 1972 Protocol, and the 1971 Convention.

The Government of Seychelles' (GOS) police department and its modest coast guard facilities are, along with other functions, charged with providing law enforcement to counter drug trafficking. However, neither agency has a defined, strong, and dedicated role to play in counter-narcotics activities, so combatting drugs is a distant, secondary responsibility. In 1994 the US Coast Guard Mobile Training Team (MTT) provided some training on seizure and interdiction techniques.

In 1994, the USG funded the attendance of a Seychelles police officer to a DEA-sponsored regional conference and also funded a small education program on anti-drug and alcohol abuse. There were no instances of drug-related public corruption reported by the GOS in 1994. USG goals are focused primarily on improving GOS' law enforcement techniques.

**SIERRA LEONE.** Sierra Leone's civil unrest, combined with the deterioration of law enforcement capability, resulted in 1994 in an increased number of transshipments of heroin from Asia and cocaine from South America destined to Europe and North America. Little effort is being paid by the Government of Sierra Leone (GOSL) to counternarcotics

measures during this difficult period for the country. While there are some demand reduction programs, there has been no detectable diminishment of the indigenous cannabis production, the overwhelming majority of which is consumed locally. Sierra Leone ratified the 1988 UN Convention in June 1994, but no effort has been made to implement the Convention. Also in 1994, Sierra Leone became a party to the 1961 UN Single Convention on Narcotic Drugs and the 1971 Convention.

Drug-related corruption of public officials, particularly along Sierra Leone's borders, is relatively commonplace, and the GOSL has made no genuine effort to root it out and prosecute. There is no USG program of assistance to the GOSL and, until domestic difficulties are resolved, there is little likelihood that any assistance will be forthcoming.

**SUDAN.** Sudan is neither a significant producer nor consumer of illicit drugs, but it is becoming increasingly important as a transshipment point in the international drug trade. Sudan's strategic location at the crossroads of Africa, along with its 500 km of largely unpatrolled coast on the Red Sea, offers easy entry and exit for drug shipments. Domestic drug use is not well-documented, but it is estimated that between one and five percent of the population uses drugs. While cannabis is considered a drug of the poorer population, Asian heroin, South American cocaine, and synthetic drugs are used by the wealthier populace, or by students who have travelled abroad.

The Government of Sudan (GOS) made important progress in combatting illicit drug cultivation, in prosecuting drug users and dealers, and in treating addicts. In 1994, the government enacted a new law on narcotics and psychotropic substances, replacing Sudan's 1924 law. Under this law, the government strengthened penalties, included synthetic drugs, and established its first drug treatment clinic. The primary agency for narcotics control is the Drug Combat Administration (DCA). Its staff expanded in 1994, but its total budget decreased in dollar terms due to the devaluation of the Sudanese pound. The GOS reported no instances of drug-related corruption on the part of government officials in 1994.

The DCA, in conjunction with the Ministries of Education and Health, stepped up its demand reduction programs. These included antidrug campaigns on television, radio, and in secondary schools and universities. Treatment at the DCA's small drug rehabilitation center is free and patients are exempt from criminal prosecution.

Sudan signed the 1988 UN Convention in 1989, but has not ratified it. Sudan is a party to the 1961 UN Single Convention and in 1994 became a party to the 1972 Protocol thereto. It also is a party to the 1971 Convention.

**SWAZILAND.** Swaziland is not an important producer or consumer of illegal drugs. Local production is limited to cannabis, a small portion of which is smuggled across borders to neighboring countries. Swaziland does, however, serve as a transit point for Mandrax from India to South Africa and heroin from Asia to Europe. Swaziland's law enforcement efforts are hampered by a lack of proper equipment and poor training of its 15-person narcotics unit. The Government of Swaziland (GOS) recognizes that drug-related corruption of its officials exists, but the problem is not extensive. Swaziland is not a signatory to the 1988 UN Convention, nor are there any drug-related bilateral agreements with the US.

**TOGO.** Given its proximity to Nigeria and largely ineffective border controls, Togo is a transit point for narcotics shipments, particularly Asian heroin, from Nigeria to the US and Europe. Drug shipments are likely to increase as a result of the opening in 1994 of the Togo-Ghana border. Cannabis, grown in small amounts, is Togo's only drug crop and it is not exported. Due to civil disturbances and diminishing resources, counternarcotics efforts by the Government of Togo (GOT) received a low priority in 1994. Togo is a party to the 1961 UN Single Convention on Narcotic Drugs, its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. Togo also is a party to the 1988 UN Convention, but is not yet in full compliance. Hopefully, efforts toward this end will be made once the civil unrest is quelled. There are no drug-related bilateral agreements between Togo and the US. The GOT reported no instances of drug-related corruption of public officials during 1994. The USG will assist the GOT by providing a limited amount of equipment for drug interdiction and by helping the GOI improve the quantity and quality of narcotics intelligence.

**UGANDA.** Uganda is neither a significant producer nor transit point for illicit drugs. As its trade and tourism expand it is expected that Uganda's role as a transshipment point will grow in importance. In 1994 Uganda drafted new narcotics legislation to replace its outdated laws. The draft legislation was sent to the UNDCP for review to align it with international standards. With financial assistance from the UNDCP, Uganda is completing a two-year project to train police, customs and immigration officers. Uganda is a party to all the major UN narcotics treaties, including the 1988 UN Convention, but has no narcotics or extradition bilateral treaties.

Uganda's anti-narcotics efforts are severely limited by lack of funding, personnel and training. Although the Ugandan Government (GOU) increased security measures at all airports, the police have not yet placed trained anti-narcotics personnel at all land border crossing points. Uganda has no legislation against money laundering nor any provisions for seizure of assets or extradition in criminal narcotics cases. The GOU has not reported any instances of drug-related corruption by public officials in 1994.

The GOU began a public awareness campaign to increase reporting of illegal cultivation and to decrease local usage of marijuana. However, funding shortages preclude the implementation of any effective narcotics awareness program in the near future. USG goals focus primarily on encouraging Uganda's counternarcotics efforts and in 1994 the USG funded a DEA-sponsored training program for Ugandan anti-narcotics enforcement officers.

**ZAMBIA.** Zambia is a transit point for illicit narcotics shipments, principally Mandrax (methaqualone), from the Asian subcontinent to South Africa. Transshipment of Southwest Asian heroin and South American cocaine, although still minor, is growing. With direct and indirect air routes to and from South America, Asia, and Europe, Zambia is strategically situated along established and developing narcotics trafficking routes. Heroin and cocaine trafficking are of increasing concern to Zambian narcotics officials. West African heroin traffickers use Zambian documentation and couriers to ferry drugs to Europe and North America. Cannabis is the only drug cultivated in Zambia. Money laundering by regional traffickers, made easier by economic liberalization, is increasing as well.

Narcotics-related corruption is a problem within the Customs and Immigration services, and the police force. During 1993 there were persistent credible reports of drug trafficking by high-level government officials. Following strong intervention by the donor community, Zambian officials began to take steps to deal with the problem as the year ended.

A strengthened narcotics law entered into force in 1993. The new law provides for harsher penalties and streamlines forfeiture procedures. Zambia ratified the 1988 UN Convention in 1993, but failed to meet many of its goal and objectives.

**ZIMBABWE.** Zimbabwe is transit point for illicit narcotics shipments, particularly for Mandrax from India in route to South Africa. Aside from small amounts of cannabis, which are domestically consumed, no illicit drugs are produced in Zimbabwe. Demand reduction programs, therefore, are modest. There is no concrete evidence of drug-related corruption among members of the Zimbabwe Republic Police (ZRP), although there are reports that there is widespread corruption among customs officials staffing Zimbabwe's land borders.

The ZRP has a small and dedicated narcotics control force; however, it would benefit from further training. Several high-ranking officers attended a DEA-sponsored management course in the US, which included observation of drug interdiction operations on the US-Mexico border and at Denver's Stapleton Airport. The USG also funded the training of drug detector dogs for use at Harare's airport. The Government of Zimbabwe wants to improve its counternarcotics capabilities across the board and will participate in as many international training programs as possible. Zimbabwe became a party to the 1988 UN Convention in 1993; it also is a party to the 1971 UN Convention on Psychotropic Substances.



**CHEMICAL CONTROLS**



## CHEMICAL CONTROLS

### Introduction

Except for cannabis and raw opium, all illicit drugs require some processing before they are usable or marketable. As part of the effort to curb drug production, international consensus has developed in the last five years around control of the key chemical inputs for illicit drug manufacture. These chemicals are listed in the annexes of the 1988 UN Convention. The distinction between precursor and essential chemicals is a technical one: precursors become part of the finished drug, usually a synthetic drug; and essential chemicals are primarily used in the refining process for the drug, usually heroin or cocaine, and do not become part of the drug.

The most effective system of international chemical control would ensure that *before* a shipment of regulated chemicals is authorized to leave an exporting country, the end-use and the end-user for the proposed transaction in the importing country are verified and certified as legitimate. Controls must be shipment-specific. While experience has shown that controls are more effectively applied in the exporting country than in the importing country, an effective system involves controls in chemical exporting, transit, and importing countries, and continual and timely communication between exporting and importing/drug producing countries to verify end-use.

Much has been accomplished towards a global chemical control regime based on the principle of international cooperation in regulating commerce in drug-related chemicals. The framework for an international system of chemical control was set forth in the 1991 Final Report of the Chemical Action Task Force (CATF), chaired by the U.S., which was mandated by the Group of Seven Industrialized Countries to develop practical procedures for chemical control, building on the relevant provisions of the 1988 UN Convention.

With the April 1992 approval of the addition of 10 chemicals to the original list annexed to the 1988 UN Convention, the 22 most important drug-related chemicals are now subject to the Convention's international chemical control regime. Nearly 100 countries have become parties to the convention.

To facilitate chemical control implementation, the Customs Co-operation Council has assigned discrete tariff codes in the Harmonized System of Customs Nomenclature to each of the chemicals specified in the Convention.

**Diversion Patterns** have remained essentially the same as those spelled out in the April 1994 INCSR. The three most common are:

1. Chemicals are imported legally into the drug-producing country with a valid import license issued either to a front company, or to a legitimate company, and subsequently diverted. In this case, the importing country does not adequately investigate the legitimate end-use of the chemicals before issuing its import license, and the exporting country makes no independent effort to ensure legitimate end-use, accepting the import license at face value.
2. Chemicals are imported into a neighboring country, diverted, and smuggled into a drug-producing country. This occurs because the conduit countries do not adequately investigate the legitimate end-use before allowing imports and re-exports, nor do the chemical source countries ensure the legitimate end-use of regulated chemicals before authorizing shipment.
3. Chemicals are manufactured in neighboring countries, diverted from domestic commerce, and smuggled into drug producing countries. Inadequate internal controls make this type of diversion possible.

As authorities take countermeasures to prevent diversion, traffickers react by shifting among the diversion patterns. Effective import controls in drug-producing countries will be met by increased smuggling. Smuggling of domestically produced chemicals increases when imports are more effectively controlled. In the case of precursor chemicals used for the manufacture of synthetic drugs in the United States, there has been an increase in the use of multiple transactions, brokers, and alternative source and transit countries.

### **1994 Chemical Control Developments**

In early 1994, the Departments of Justice (including DEA), Treasury (including Customs) and State cooperated to review progress to date in chemical control and to develop a forward-looking strategy for an expanded U.S. and international program to control diversion of precursor and essential chemicals.

The participants concluded that:

"Domestic and international efforts in chemical control are on the right path. The problem of chemical diversion has received increased international attention at policy and operational levels. States and international organizations have achieved a consensus on appropriate international controls, and the U.S. and many other countries have enacted adequate national laws. There have been some encouraging recent signs on both domestic and international fronts. However, the global system of controls remains less than wholly efficient because it has not been fully implemented. The reasons for this vary from country to country, but generally include: (1) insufficient time to create the necessary administrative infrastructures, (2) lack of political will, (3) lack of resources, (4) lack of training, and (5) lack of communication internationally and between domestic enforcement agencies."

The strategy addresses these problems at both the policy/political and operational levels. It emphasizes multilateral cooperation in recognition of the international nature of the issue, usually involving diversion from commercial chemical transactions between third countries, and the need to enlist international support for chemical control training and assistance programs. Some of the most important developments in 1994 supportive of this policy include:

- o The Inter-American Drug Control Commission (CICAD) of the Organization of American States (OAS) reconvened its chemical experts' group in May 1994 to assess progress in adopting and implementing the OAS Model Chemical Regulation. In response to a U.S. suggestion, representatives from the European Union (EU) were invited. The meeting recommended, inter alia, that the EU and the CICAD meet and agree on the basic elements for cooperative agreements between the EU and OAS member states for controlling chemical commerce to prevent diversion. The fall 1994 CICAD meeting endorsed the chemical experts' recommendation, and it was one of the items cited for special support during the December 1994 Miami Summit of the Americas. The CICAD/EU discussions on the basic elements of agreements are underway.
- o In February 1994, the UNDCP and the INCB held the first of two workshops on precursor control in Southeast Asia. The workshop was hosted by the Government of Thailand and a special financial contribution was made by the United Kingdom. The second workshop was held January 30-February 3, 1995, in Manila hosted by the Government of the Philippines and with continuing financial support from the United Kingdom.
- o UNDCP in August 1994 disseminated "Guidelines for Use by National Authorities in Preventing the Diversion of Precursors and Essential Chemical." The Guidelines build on the chemical control provisions of the 1988 UN Convention and draw on the recommendations of the CATF. They provide the basis for national implementation of comprehensive, complementary chemical control regimes that will permit the inter-governmental cooperation essential for chemical diversion control.
- o In October 1994, DEA, with significant financial support from the European Union, held a conference in Austria on drug and chemical diversion control for policy- and senior-level officials from ten Newly Independent States (NIS). The conference helped to establish a dialogue with NIS policy-level officials on the problems of illicit drug transit, manufacture, and uncontrolled trade in pharmaceuticals, steroids, and chemicals. Major topics of discussion were the need for adequate legislation and international treaty compliance, and the need to establish or strengthen national frameworks for administering drug and chemical regulatory and enforcement programs.

- o In the fall of 1994, seven South American countries (Bolivia, Peru, Chile, Brazil, Argentina, Paraguay, and Uruguay) cooperated in a joint operation - "Border Crunch" - to stem the flow of precursor chemicals into Bolivia. Conducted with U.S. support and assistance, the operation was directed primarily at smuggling of chemicals into Bolivia and succeeded in temporarily disrupting that traffic. Border Crunch also demonstrated the importance of chemical control to deny regulated chemicals to smugglers, thereby preempting smuggling across porous borders where smuggling of all types is common.
- o India and Pakistan held discussions under the auspices of UNDCP to improve bilateral counternarcotics cooperation. In late 1994, the two governments signed an agreement to cooperate in controlling the smuggling of chemicals and narcotics between the two countries.
- o In March 9, 1994, the Colombian National Police, in coordination with other national law enforcement authorities, raided the offices and storage facilities of Holanda Chemical International. Authorities seized 1,754 MT of chemicals, enough to process 135.5 MT of cocaine. The raids were based on information developed by the U.S. (DEA) and Colombian law enforcement authorities.
- o Operational cooperation between U.S. and German authorities increased, with the result that German authorities suspended three additional shipments of regulated chemicals to Latin America. Additionally, German authorities have on several occasions provided intelligence regarding proposed critical chemical shipments to sensitive areas. Cooperation with Dutch authorities at the operational level is also improving.

#### **1994 Chemical Control Review**

The conclusion of the participants who worked together in 1994 to develop a forward-looking chemical control strategy that "the global system of [chemical] controls remains less than wholly efficient" remains valid. However, progress has been made in each deficiency noted in the strategy. For example:

- o There has been an additional year to create the necessary infrastructure for chemical control. The Colombian chemical seizures and the increasing German/US cooperation in chemical control provide evidence that these systems can work.
- o Political will to adopt and implement chemical control regimes is increasing as demonstrated by the beginning of Indo/Pakistani cooperation to control chemical smuggling.
- o More resources are being applied to chemical control. In Border Crunch, seven South American countries were willing to devote resources to enforcement of chemical control laws.

- o In an area as technical and potentially hazardous as chemical control, the need for training has been increasingly recognized. The UNDCP/INCB chemical control workshops in Bangkok and Manila are helpful precedents for a multilateral approach to the problem in terms of both financing and participation. In addition, the OAS series of chemical training seminars continues in Latin America and the Caribbean.
- o Communications internationally and between domestic agencies are improving. Meetings such as the Austria meeting organized by DEA opened new channels of international communication. Operations such as Border Crunch improve cross-border law enforcement communication and cooperation, and domestic cooperation, by involving law enforcement agencies not primarily involved with chemical control.

### 1995

In 1995, the emphasis in chemical control will continue to shift from forging international consensus on cooperative procedures for chemical control, something largely achieved, to the implementation of these procedures. This requires a coordinated response from chemical manufacturing and exporting countries, transit countries, and chemical importing countries. Single-country efforts leave loopholes that are rapidly exploited.

We will work with chemical manufacturing and exporting countries to improve control of chemical exports to drug-producing countries. We will encourage support for the multilateral chemical control training initiatives of the UNDCP and the INCB. We will support the rapid realization and implementation of the OAS/EU initiative to facilitate bilateral agreements between the EU and OAS member states for chemical control. And we will continue our own chemical control programs as a demonstration of the validity, feasibility and effectiveness of chemical control.



**FINANCIAL CRIMES  
AND  
MONEY LAUNDERING**



## 1995 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT

### OVERVIEW

There were a number of significant accomplishments in the world of money laundering in 1994, and a number of new and/or intensified concerns. Accomplishments and concerns are summarized here and explained in detailed sections below.

**Accomplishments.** Several financial center governments, such as Singapore and Panama, have adopted broad, new anti-money laundering policies and/or laws, and a number of governments were in the final stages of presenting/adopting new legislation.

The Financial Action Task Force completed the evaluations of each of its 26 member governments, all conducted by outside experts and all culminating in recommendations for changes and improvements which will be monitored through continuing examinations beginning in late 1995. The willingness of these leading financial centers to be examined by these experts testifies to the political will of FATF member governments, while reinforcing the universality of FATF's 40 recommendations and setting an example FATF urges other governments to emulate.

FATF took a major policy step in broadening the scope of its mandate to include money laundering from all serious crime, not limited to just drug trafficking, and its members began amending their laws to follow suit. FATF also took this broader approach on the road, urging adoption of its policy recommendations at seminars in Latin America, Asia and Europe.

The successful cooperation between the US and foreign governments on multinational investigations, demonstrated earlier in Operation Green Ice, was manifest again in 1994 through Operations Primero and Dinero (which drew heavily for their successes on Spain, France, Italy, Canada and the UK).

The US also strengthened its domestic and international capabilities through the 1994 Money Laundering Suppression Act which applies the various US anti-money laundering measures to all money transmitters, while also promulgating wire transfer regulations, and reorganizing the Financial Crimes Enforcement Network and adopting a more comprehensive strategy for the Internal Revenue Service with respect to financial crimes.

Justice, Treasury and the Postal Service signed a memorandum of understanding establishing a mechanism for coordinating international drug money laundering undercover operations.

Russia and Eastern Europe received a continuing high level of bilateral and multilateral attention in 1994. Top-ranked officials from Justice, State and Treasury met with senior Russian officials in Moscow on a range of crime issues, and teams of US officials met with counterparts in Russia and Eastern Europe to consult on delivery of training by US agencies to enforcement officials. President Clinton announced an agreement with

Hungary on joint operation of a law enforcement training center in Budapest. US officials led a Financial Action Task Force team which reviewed progress on anti-money laundering policy development in Russia, Poland and the Czech Republic. The Financial Crimes Enforcement Network and the National Drug Information Center jointly sponsored a nationwide conference on the money laundering and related aspects of crimes committed in the US and Russia by Russian organized crime groups.

The money laundering issue continued to receive attention from major international policymaking bodies, like the G-7, the Commission of the European Communities, the OAS and others, as well as specialized groups such as the Summit of the Americas and the UN-sponsored crime conference in Naples.

### Concerns.

Although the number of governments which have ratified the 1988 UN Convention continues to increase, and many important financial centers have adopted legislation to curb drug-related money laundering, far too many priority financial centers have still not adopted needed legislation and/or ratified the Convention, and, overall, there is concern about the pace of implementation of these laws.

Offshore banking, with the assurance of absolute secrecy by many jurisdictions which license such facilities, and, the manipulation of trade practices to move and conceal or generate illicit proceeds, were of increasing concern at year's end. So too were the counterfeiting of currencies and other monetary instruments, especially bonds; the boom in contraband smuggling; the covert and sometimes overt buying of banks and other financial institutions by suspected criminal groups; the resort by criminals to the use of smaller, less-monitored banks; and the sophisticated use of such new phenomena as direct access and pass-through banking, and electronic cash systems.

There is continuing concern, given that financial crimes and money laundering are occurring with varying degrees of regularity in more than 125 jurisdictions, that some affected and/or vulnerable governments still have not criminalized all forms of money laundering. Some governments have not given sufficient regulatory authority to their central banks and other institutions to deal with this problem; many do not have adequate data systems to monitor trends and methods used in their territories, and many have not made adequate provision for mutual legal assistance.

Because of these issues, countries which have legislative, regulatory and enforcement systems that are vulnerable to money laundering, or limited ability to react to money laundering or other financial crime (whether drug-related or involving other illicit proceeds) can be considered to be of concern. Whether there is current evidence or not of drug-related money laundering in a given jurisdiction, the existence of or vulnerability to other financial crimes in that jurisdiction will eventually attract drug-related proceeds.

To address these matters, the INCSR for 1995 also has broadened its editorial scope. (See Other Financial Crime)

### CONCERNS FOR 1995 AND BEYOND

- Over one hundred governments have ratified the 1988 UN Convention, including the great majority of high to medium priority governments; however, inconsistent enforcement of its anti-money laundering provisions is a key factor in the continued high level of global financial crime.
- Eight of the governments ranked as High, Medium-High or Medium priority (see table) have signed but not ratified the 1988 UN Convention, and three other governments ranked among the higher priorities have not yet signed. Thus, almost one-fifth of the 67 governments in the three highest priority categories have not ratified this universal accord six years after its declaration.
- Too many affected or vulnerable governments have not criminalized all forms of money laundering and financial crime, nor given sufficient regulatory authority to central banks. There is need for an intensified education and persuasion effort by the world's major financial institutions and organizations, to ensure a higher level of compliance on a global basis.
- Too many governments continue to place limitations on money laundering countermeasures, particularly the requirement that the offense of money laundering must be predicated upon conviction for a drug trafficking offense.
- Too many governments still refuse to share information about financial transactions with other governments to facilitate multinational money laundering investigations.
- There is need for enhanced bilateral/multilateral international communications to inform governments and financial systems in some systematic and ongoing way about the methods and typologies of drug and non-drug related money laundering and financial crime.
- The use of more sophisticated money laundering techniques at the layering and integration stages of money laundering (with cash now being held in bulk or placed into the financial system through exchange houses and other non-bank financial institutions) has gone beyond wire transfers to include a seemingly endless variety of licit and illicit financial instruments, including letters of credit, bonds and other securities, prime bank notes and guarantees, without a parallel increase in the capability of the far-flung elements of the world's financial system to verify the beneficiaries or authenticity of instruments.
- The electronic highway now links banks and non-bank financial institutions (NBFIs) worldwide to facilitate expanding world trade and financial services, placing ever-greater priority on banks of origin to establish the identity of beneficial owners and their sources of funds. There are few controls on electronic transfers, and, compounding the problem, the bank (or non-bank) of origin is increasingly based in a non-major financial center which does not adequately control money laundering and other financial crimes.

- Narcotics money launderers have adapted the invoicing schemes used by contraband smugglers and are similarly manipulating commercial trade practices to move and convert illegal proceeds. The vast proceeds generated by both types of crime magnifies the need for control mechanisms which address non-drug-related financial crimes.
- There is emerging concern about new banking practices, such as direct access banking (favored customers are given the bank's software and allowed to process transactions directly through their accounts). This system limits the bank's ability to monitor account activity, such as use of joint accounts and pass-through banking schemes which have been a traditional method of layering. Beneficial owners of funds can now manipulate the identity information on the ultimate recipient of the funds without the review by bank officers. Pass-through banking by itself poses myriad problems for regulators, by creating accounts within accounts, even banks within banks. These new bank services can limit the utility of systems in place to have both originator and recipient information travel with the electronic funds transfer.
- There is continuing concern that the need for capital of many financial systems overwhelms prudent banking practices and safeguards, with respect to deposits, loans and underwriting practices, and contribute to the increasing problem of overt and covert takeovers of banks and non-bank financial institutions by criminal groups.
- The concern about the concentration of economic power in drug cartels and other criminal organizations, and its potential translation into political power, once primarily a focus in this Hemisphere, now embraces the Caribbean, Europe, the Middle East and Asia as well as the Americas.
- Professional money laundering specialists sell high quality services, contacts, experience and knowledge of money movements, supported by the latest electronic technology, to any trafficker or other criminal willing to pay their lucrative fees. This practice continues to make enforcement more difficult, especially through the commingling of licit and illicit funds from many sources, and the worldwide dispersion of funds, far from the predicate crime scene.
- Non-bank financial systems are still unevenly regulated in most parts of the world, especially at the placement stage for cash. (NBFIs in the US will be subject to federal registration when new US regulations are issued.) These include a wide variety of exchange houses, check cashing services, insurers, mortgagors, brokers, importers, exporters and other trading companies, gold and precious metal dealers, casinos, express delivery services and other money movers of varying degrees of sophistication and capability. Even less regulated are the underground banking systems, like the "chop" houses of the Orient, and the "hundi" and "hawala" systems of Europe, South Asia and the Middle East.

- Asset forfeiture laws have not been adopted or strengthened to keep pace with anti-money laundering investigative authority, much less with the traffickers' wide-ranging schemes; there is a conspicuous gap between the number of institutions and accounts which intensified investigations have identified with money laundering and the authority of many governments to freeze, seize and forfeit drug and money laundering proceeds.
- An increasing number of countries outlaw money laundering and allow the forfeiture of assets but many remain obliged to inform account holders the government is investigating them and may take action against their accounts--giving traffickers time to move assets and leave town.
- There is an urgent need to prescribe corporate as well as individual sanctions, including actions against financial institutions that repeatedly fail to take prudent measures to prevent their institutions from being used to launder money.
- There is need for continuous fine-tuning of bilateral and multilateral strategies, which define responsibilities and objectives on a country-by-country basis, and set specific goals for cooperating with the varying money laundering and money transit countries.
- US financial systems continue to be exploited, at levels probably not approached by any other country.
- Many governments and financial systems continue to rely on voluntary reporting mechanisms, despite the inadequacy of voluntary control systems. Reports from government after government demonstrate that the adoption of mandatory controls had not caused declines in legitimate deposits or resulted in threats from traffickers.
- Prudential supervision of many domestic banking systems has improved with respect to money laundering, but too many branch offices and subsidiaries and other foreign operations continue to figure prominently in drug and other money laundering and financial crime. There is a particular need for the major international banks to ensure that the governments and regulatory agencies in all countries/territories they serve are enforcing the same high standards as their charter governments.
- Many governments superimpose money laundering controls on systems which still employ loose incorporation standards and permit bearer share ownership, which can minimize the effect of these controls.
- The implementation of free trade agreements/compacts, and creation of trading/economic zones, especially cross-border agreements, could increase the use of international trade as a mechanism for laundering the proceeds of criminal enterprises. Whether elimination of border and other customs controls, liberalized banking procedures within these zones, and freedom of access will result in greater smuggling of arms, drugs, money, immigrants, etc., can only be tested over time.

- There is a need for countries which cooperate on money laundering investigations and prosecutions to share forfeited proceeds so as to reflect equitably their respective contributions. A "finder's keepers" approach is unfair and fails to provide an incentive for multinational efforts.

**MONEY LAUNDERERS' SHOPPING LIST.** Given that any financial system can be penetrated, every country and territory has the potential of becoming a money laundering center. There is no precise measure of vulnerability for any financial system, but a check list of what drug money managers reportedly look for is a good guide.

- Failure to criminalize money laundering from all serious crime and/or limiting the offense to narrow predicates, e.g., conviction of a drug trafficking offense, thus abetting efforts to commingle funds.
- Rigid bank secrecy that cannot be penetrated for authorized law enforcement investigations.
- Minimal or no identification requirements to conduct financial transactions, and/or widespread or protected use of anonymous, nominee, numbered or trustee accounts.
- No required disclosure of the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of currency movements.
- No recording requirements for large cash transactions.
- No mandatory requirement for reporting suspicious transactions, and/or a pattern of inconsistent reporting under a voluntary system, and/or a lack of uniform guidelines from which to identify suspicious transactions.
- Use of monetary instruments payable to bearers. Well-established non-bank financial systems, especially where regulation and monitoring are lax.
- Patterns of evasion of exchange controls by nominally legitimate businesses. Ease of incorporation, especially where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- Limited or weak bank regulatory controls, especially in countries where the monetary and/or bank supervisory authority is understaffed, underskilled or uncommitted.
- Well established offshore or tax-haven banking systems, especially countries where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity and/or multiple branches of the foreign banks, and/or limited audit authority over foreign-owned banks/institutions.
- Limited asset seizure or confiscation capability. Limited narcotics and money laundering enforcement and investigative capabilities.
- Countries with free trade zones where there is little government presence or other oversight authority.
- Patterns of official corruption and/or a laissez faire attitude toward the business and banking communities.
- Countries where the dollar is readily acceptable, especially countries where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai and Bombay.
- Countries where there is a significant trade in or export of gems, particularly diamonds.

**MONEY LAUNDERING METHODS AND TYPOLOGIES.** While narcotics trafficking is still regarded as the single most important source of criminal proceeds among members of the Financial Action Task Force responding to a special survey, some FATF member countries are beginning to view white collar crime as a problem of almost equal seriousness. Twenty-one of the twenty-six FATF members took part in the discussion, which also found that banks remain an important mechanism for laundering illegal funds, but money launderers increasingly use a variety of methods for entering the system. In the discussions among FATF members, drugs and white collar crime (bankruptcy, financial fraud, advance fee schemes, etc.) were the most frequently mentioned sources of illegal proceeds. The US delegation noted that, since October 1992, the number of prosecutions for money laundering involving white collar crime had been more or less equal to cases involving drug proceeds.

The links between money laundering and organized crime drew emphasis, the members noting that organized crime groups are involved in a full range of illegal proceeds-generating activities, from traditional "criminal" activities such as prostitution, illegal gambling, loan sharking, etc., to specialized financial crimes such bank and insurance fraud, money laundering, etc. It was noted that some organized crime groups operate increasingly across national borders.

Traditional banks remain an important mechanism for laundering illegal funds, but, money launderers must use increasingly more complex methods for entering funds into the banking system. For example, when banks are used at the placement stage, launderers will attempt to structure their transactions or commingle them with deposits of an ostensibly legitimate commercial enterprise or corporate entity. At the layering and integration stages, launderers, often operating under the guise of offshore corporations, use banks as collection points or conduits for moving funds worldwide.

Confirming a trend seen in the Western Hemisphere, FATF members reported an apparent shift from banks to non-banks, with emphasis on the role played by money changers or exchange houses, and there were reports of criminal groups moving away from major commercial banks to those they think are less likely to make suspicious transaction reports. The group also cited corruption of bank officials as a concern; the Mafia, for example, seek to obtain significant shareholdings in small or provincial banks so that they can install their representatives in the banks and use them for laundering their proceeds.

A new money laundering technique which has emerged is the use of representative offices of foreign banks, where the office accepts deposits and transfers the funds into its "Nostro" account without disclosing the identities of the beneficial owners of the deposits. This would seem to be a counterpart to the global money laundering "holding companies" cited by US investigators in 1993, which are available to any number of criminal organizations to launder drug and non-drug proceeds, and, to the "pass through accounts" practice cited by the Federal Reserve in the 1994 INCSR. The Federal Reserve called attention to sub-accounts established by foreigners who are operating multiple personal and business transactions through a single account; the sub-accounts are usually created by the primary account holder (a foreign bank) within its own country; it then allows its customers to use its US account.

Thus, hundreds of individuals may have access to the account in a US bank nominally held by a foreign bank in its name, thus giving them access to the US banking sector and its privileges without any records being created on the sub-account holders.

FATF members found little evidence of money laundering through the securities markets, but, in the insurance sector, single premium insurance bonds were cited as an increasingly popular money laundering mechanism.

Overall, FATF members believe that some of these trends result directly from launderers efforts to avoid the anti-money laundering controls FATF members have adopted. In addition to the foregoing, they cited increased use of bulk cash shipments, and imports/exports of gold and jewelry. Invoicing schemes continue, but launderers/criminal groups are also using international trade wherein proceeds of crime are used to purchase goods and products which are then shipped out of the country for resale.

The numerous methods cited in the 1994 INCSR continue to be employed, in the US and abroad. For example, an ongoing DEA case in Florida involves an international polydrug trafficking organization which has laundered hundreds of millions of dollars in drug proceeds using a variety of money laundering methods: bulk smuggling out of Canada; use of the underground banking system in Singapore and Bahrain; shell company accounts in Hong Kong and Europe; and the purchasing of assets in Canada and the US. In the last ten years, this organization imported over 240,000 kilos of hashish and Thai marijuana into the US and Canada, with a gross value of more than \$1 billion. The organization is believed to have netted more than \$400 million and the leader and two of his Pakistani sources are believed to have profited more than \$100 million each after expenses.

Cocaine cartels, which once handled all money operations internally, continue to employ financial controllers who seek bids from money brokers, who may process money for more than one drug trafficking organization. Cartels pay as much as 17 to 20 percent rates to have their money laundered. These criminals continue to minimize paper records, preferring to use computer discs and increasingly sophisticated communications devices, often linked to computers.

As in previous years, cases continue to show that professional money managers rely on a long-list of non-bank financial institutions in addition to banks: exchange houses, finance companies, travel agencies, securities dealers, casinos, real estate agencies, fruit shops, import/export firms, jewelry stores, check cashing services, check sellers, and money transmitters, credit unions, savings and loan associations, commodities and securities and insurance brokers, real estate and investment brokers. But they also use antique dealers, auction houses, car (or boat or plane) dealers, coin dealers, gold dealers, liquor outlets and bars, pizza parlors, postal services, convenience stores, pharmacies, hotels, restaurants, scrap metal dealers, cleaning and shoe repair shops, supermarkets, trucking companies, vending machine companies, gas stations, waste material firms, and even folk art dealerships-and an uncountable array of shell companies.

Proceeds can take many forms: cash, cashiers checks, bearer bonds and other monetary instruments, stocks, bullion, insurance policies, and even real property, disguised by wire transfers, invoicing schemes, loans, parimutuel winnings, trustee records, stock transfers, investments, and purchase of goods and services.

Millions of dollars in drug assets are laundered each year through the purchase of domestic postal money orders, which are purchased in the US (in a structured way to avoid reporting requirements) and transported to Colombia and other countries for redemption. Money launderers also use postal express mail, which prompted USPS' Inspection Service to initiate a program at JFK international airport. Investigators analyze express mail labels to detect patterns involving Colombia. Sixty-one of 65 express mail packages deemed suspect were found to contain \$6.1 million in illicit proceeds, which were seized and forfeited. USPS also investigates accounts into which illicit money orders have been deposited. One seizure in 1994 involved \$1.2 million in postal money orders clearing through a US bank from a casa de cambio in Cali.

Cashiers checks are also popular with money launderers, and banks are especially vulnerable to misuse of their instruments when an employee participates in the scheme. In the Banque Leu (Luxembourg) case (it was the first foreign bank to be prosecuted in the US for money laundering), an employee helped facilitate the deposit and processing of more than 400 cashiers checks, totalling \$2.3 million, which were purchased in California with drug proceeds, sent to Colombia, and then deposited in Luxembourg. This case was unique; Banque Leu not only forfeited \$2.3 million in 1993 after pleading guilty to one count of money laundering, but it agreed to produce yearly audit reports for the US Attorney's office, and to distribute an anti-money laundering compliance manual to clients and correspondent banks.

The belief that financial institutions should apply "know your customer" standards to customers of record when these new policies went into effect, as well as to new customers, was bolstered by an incident involving Union Bank, Switzerland's largest bank. UBS disclosed that it had discovered an account totalling \$150 million belonging to Julio Nasser David, a Colombian fugitive drug dealer, who had maintained the account since 1979. The account, which was frozen, was maintained by David's wife, who was arrested near Geneva. Sheila Miriam Arana De Nasser, a Colombian national, was taken into custody by US Marshals on January 3, 1995, and returned to Florida for trial on charges of conspiracy to import and distribute multi-kilogram loads of cocaine and marijuana. The Swiss government has agreed to return \$150 million in drug proceeds which were frozen in the account.

**REGIONAL CONTRASTS.** For the last eight years, the INCSR has focused closely on money laundering in the US, Central America and the Caribbean, and in Western Europe, especially on the laundering of cocaine proceeds. For 1995, the INCSR draws attention to Asia, where not only drug trafficking proceeds but the illicit proceeds of a long list of crimes are permeating not only the traditional underground banking system but the financial institutions of systems large and small.

East Asia & the Pacific. Evidence of financial crimes, including laundering of proceeds of drug trafficking and other money crimes has increased during this decade, coincident with or parallel to the rapid growth of financial centers in East Asia and the Pacific.

Historically, the laundering of drug trafficking proceeds, has been predominantly linked to opium, heroin and marijuana production in the Golden Triangle and the trafficking of narcotics products through Thailand, Hong Kong and other areas. Asian money laundering has included illicit proceeds derived from cocaine and marijuana trafficking and sales of psychotropic substances in the region as well as heroin distribution, and also from contraband smuggling, prostitution, counterfeit manufacture of products, and increasingly sophisticated financial frauds. In this regard, the region is once again catching up to the West in terms of the methods and typologies employed in financial crime.

The drug trade is voluminous, both in terms of gross volume of drugs manufactured and exported (and, importantly, consumed in the region). The non-heroin trade is of increasing importance: the Japanese National Police estimated in 1989 that the volume of methamphetamine (ice) sold in Japan had an annual value in excess of US\$3 billion, a figure which has presumably increased. The characteristics of money laundering are changing; not only is cocaine being sold in the region in increasing volume, as noted recently in a report by the Australian National Crime Authority, but cocaine dollars from South America are increasingly detected in Asian financial systems.

Moreover, as in the West, the money laundering trade is not bound by the patterns of drug trafficking. Traditional transit countries like Thailand and Hong Kong are important factors in both the drug trade and money laundering, but the proceeds of crime are also laundered in such major financial centers as Singapore, Australia, Korea, Taiwan and Japan as well as in such remote outposts as Vanuatu, Nauru and other islands. Here too the hand of organized crime is being felt, not just Japanese yakuza and Chinese triads, but independent groups using state-of-the-art electronic technology and taking advantage of the absence of effective laws in many parts of the region.

Given the passage of anti-money laundering laws by each of the Asian FATF members (Japan, Hong Kong, Singapore, Australia and New Zealand), the prospect is that money launderers of every stripe will continue to use traditional financial centers but will increasingly seek alternative arrangements elsewhere in Asia. Moreover, there is continued uncertainty about what changes will be made in the Hong Kong financial system in 1997. There is speculation that legitimate investment will move from Hong Kong to Singapore and perhaps to a resurgent Shanghai, while "grey" and "black" money will find new homes in Thailand, Taiwan, and the offshore facility in Labuan (Malaysia), and perhaps Korea. Thailand, Taiwan and Korea have become principal concerns, both because of increasing evidence of financial crimes and the lack of concerted action by these governments, despite public declarations of concern and drafting of potential laws.

There is considerable concern in Asia about the expansion of offshore banking facilities in the region. Improperly regulated, such money magnets promote capital flight, as well as tax evasion. Such centers can attract a variety of illicit funds, not just drug trafficking. Indeed, there is a belief that these offshore centers may attract just as much proceeds from contraband smuggling as from drug sales (which may be true of money laundering in the region in general).

The recently created offshore facilities in Labuan and Bangkok have not yet attracted large volumes of proceeds, licit or illicit, but their popularity is increasing. The recent decision by Sri Lanka to curtail its offshore facility does not diminish the popularity of such centers; investors did not take advantage of Sri Lanka's offer of secret, numbered bank accounts because of political unrest in the country. The threats implicit in increased laundering of drug trafficking and contraband proceeds are joined by an apparent increase in financial frauds. Information about prime bank guarantees or advanced fee schemes perpetrated on the Pacific Cook Islands mirrors their proliferation in Eastern Europe and other areas with underdeveloped and/or unsophisticated financial systems.

**East v West: Similarities and Differences.** There are crucial differences but also important similarities between the money laundering techniques of Asian and Western criminal organizations, differences rooted in part in the different methods of distributing cocaine vs heroin and cannabis products, but also in part in their historic financial systems and their cultures.

While Latin American, South Asian and East Asian groups generally control cultivation, refining and initial distribution of their products, significant differences occur in transshipment. Unlike the Colombians, Asia traffickers generally do not attempt to control product or proceeds to the point of final sale on the street. Asians tend to use brokers or middlemen whose couriers convey the drugs from point to point until sold to a street merchant, thus creating many levels of profit and many profiteers. For Asian traffickers, this process fragments connections. Cocaine cartels often control distribution down to the point of consumption, and, their need for accountability for both drugs and proceeds creates a much more visible and potentially more exploitable ladder of vertical control. Colombians use a variety of couriers, but they usually belong to one of the major cocaine organizations; Asians may belong to a triad or yakuza group, or a tribe in Southwest Asia, like the cocaine cartels, but family-dominated organizations are major factors in Asian heroin trafficking and money laundering.

Like cocaine proceeds, Asian heroin money is laundered through both the traditional banking system and informal or underground banking networks. In Latin America, East and Southwest Asia, these networks are increasingly used, not just as parallels to banking systems, but as the placement stage for cash they will eventually move through banks.

The "hawala" or "hundi" systems known to South Asia, Europe and the Middle East, most of which began as remittance systems for foreign workers, have evolved to become significant factors in these economies. Many "hawala" brokers are world traders with proven business connections and demonstrated abilities to move money in large amounts, quietly and quickly. The funding some brokers handle reportedly rivals commercial banking systems.

Traffickers in East and Southeast Asia exploit a similar remittance system. The "chit" system, or "chop shop" banking, originated in the Chiang dynasty to avoid robberies during cash transfers and as a method of avoiding repressive tax measures. It has varied little since those days when it was known as "Fei Chien" or "flying money," and today conveys the majority of proceeds derived from heroin trafficking in Southeast Asia, and is dominated by ethnic Chinese families.

Both systems offer ethnic communities and drug traffickers alike a nearly invisible means of moving hard currency across international borders, and both systems depend heavily on the mutual trust held by members. The systems frequently involve import-export businesses dealing in cash, gold and precious stones; commodities are often used in lieu of cash transfers. The cross-generational, familial connections and personal introductions which are the essence of the systems provide traffickers an added level of security.

At this more sophisticated level, an Asian businessman wanting to transact business abroad -- but not carry currency or monetary instruments (particularly from those Asian jurisdictions with tight exchange controls) will seek the services of a "hawala" banker or "chop shop." An agreement will be struck on commission and exchange rate, and the businessman will receive a receipt, sometimes just a mark, which will be recognized by the receiving banker in the foreign country. The mark may be a lion, but the mark tells what amount to pay the individual cashing the receipt. The corresponding value of these markers changes in an informal but predetermined manner. These brokers rely on telephones, facsimile messages, and wires. Codes obviate the need for the originator to move the marker physically; to avoid detection, the businessman can rely on his confederates in the foreign country. The broker may profit throughout the transfer process from currency fluctuations and interest. Money movements are difficult to detect, because no reporting mechanism or paper trail exists.

**OFFSHORE BANKING FACILITIES.** Much of the published work and ongoing studies of offshore financial centers, e.g., the current analysis by the Organization for Economic Cooperation and Development, concerns the use of these centers as tax havens. There is parallel focus, however, as evidenced in the 1994 INCSR, about the role of offshore financial centers in laundering illicit proceeds from a variety of crimes, including drug trafficking, but also including contraband smuggling, illegal gambling, and crimes of vice, as well as tax evasion, bank fraud and other financial crimes. The common denominator is that money movers -- professional and amateur alike -- are attracted by offshore centers' maintenance of bank secrecy, the ease with which accounts can be opened, even anonymously in some instances, and their electronic transfer capabilities. There are no reliable estimates of the volume of illicit funds which flow through offshore centers, from any source, but informal estimates range from the tens of millions into the billions of dollars.

The Financial Action Task Force is increasingly concerned about offshore banking and, during a plenary meeting in January 1995, agreed to continue working with the Offshore Group of Banking Supervisors in parallel efforts to ensure that offshore banking facilities work with OGBS in adhering to FATF and other standards, and, to encourage OGBS to evaluate its members' compliance with these standards. FATF members noted that, thanks to its external relations program, FATF had already met with the majority of governments licensing such centers.

The FATF is expected to make offshore banking a priority concern during the 1995-1996 round in which the US will be in the presidency of the organization.

**OTHER FINANCIAL CRIME.** From its inception in 1981, and particularly after passage of the 1986 International Narcotics Control Act, the INCSR has reported on drug-related money laundering. Keeping pace with trends, the focus quickly broadened from cash to include other monetary instruments. The 1993 and 1994 reports expanded coverage to include non-drug related money laundering, which continues to increase, both in volume and in geographic scope.

Today, the concern is not just the laundering of drug proceeds, but the movement and conversion of proceeds from an ever-wider range of serious crimes: drug trafficking; contraband and arms smuggling; prostitution; pornography; illegal gambling, etc. Moreover, the subject of money laundering must be addressed within the larger context of financial crime -- defined by such staples as bank fraud, insurance scams, counterfeiting, etc. as well as money laundering. Some schemes may involve a sequence of financial crimes, such as laundering the proceeds of bank fraud, or, invoicing schemes which can be used to conceal the movement of an infinite list of contraband, but, also used to cover movements of drug money.

There is increased concern about the plethora of instruments used in committing financial crimes, such as prime bank guarantees, bonds and other securities which have been used to commit a wide variety of frauds, and about the use of such instruments and related processes to launder/convert/move the proceeds of other crimes, such as drug trafficking, as well as the downstream laundering of the proceeds of sales of such instruments. Phony bonds, counterfeits of legitimate bonds, stolen bonds, resale and use of cancelled bonds -- are all seemingly valuable financial instruments which are increasingly used in a variety of financial crimes, including fraud and money laundering. But, legitimate or authentic bonds are also used to launder money; purchased outright for cash or other monetary instruments, these bonds are usually made out to bearer and are convertible on a worldwide basis. Bonds from all of these sources have appeared worldwide but in Eastern Europe in particular.

There is also concern about the penetration and manipulation of many elements of the financial world by drug traffickers and other criminals: commercial, investment and retail banking; bonds, stocks and other securities industries; insurance; -- and, increasingly, the non-bank financial world: finance and exchange houses, check cashing services, casinos, and certain high volume retail businesses.

Moreover, the continuing reliance of criminal organizations upon professional money managers to process and commingle the illicit proceeds of a variety of crimes has sorely compounded the difficulties faced by prosecutors, particularly those in jurisdictions which require prior proof and/or conviction for a predicate offense such as drug trafficking. That problem is particularly accentuated by the multinational dimension of many criminal operations, the predicate crime occurring in one jurisdiction, the money laundering offense occurring in another, sometimes far distant country.

The practice of over/undervaluing invoices of international shipments as a means of laundering money is an ever-increasing threat to international trade in many countries. The practice is used to disguise contraband smuggling, a major generator of illicit proceeds, as well as to launder drug money. For example, a recent narcotics investigation disclosed that a shipment of shrimp and other seafood products with an actual value of \$2 million was imported from Colombia to the US at an inflated invoiced value of \$4 million. The supermarket chain, which was in a partnership with the Colombian drug cartel, purchased the \$2 million worth of seafood products and could now "legally" transfer the extra \$2 million back to Colombia as payment for the \$4 million voucher.

Commercial cargo shipments are being used to smuggle unreported currency and negotiable instruments from US to South America and numerous haven banking countries. Although a significant quantity of money that is currently being laundered offshore is transferred electronically, smuggling of bulk currency, particularly drug proceeds, is increasing, not only from the US to countries where the drugs originate, but from these source countries to and through neighboring countries, e.g., from Colombia and Bolivia to Brazil and the Southern Cone.

The American Bankers Association (ABA) and the International Bankers Association (IBA) have expressed concern over the extensive use of computer technology to counterfeit corporate checks, bonds, securities and negotiable instruments of the United States, other governments and corporations. The counterfeits are virtually indistinguishable from the genuine items. In addition to counterfeit currency, bonds and other monetary instruments, there has been an escalation in the international production and fraudulent use of counterfeit access devices: commercial credit cards, telecommunications, computers, identification documents.

**WHAT WE NEED TO DO.** In an electronic world in which the banking system operates through chain-linked computers 24 hours a day, there must be increased emphasis upon thorough vetting of personal, company and financial institution accounts at the bank of origin, wherever in the world it is located. There is no substitute for a thoroughly applied know-your-customer policy.

Considerable attention has been focused on establishing international standards, on obtaining cooperative agreements concerning exchanges of information, establishing linkages for cooperative investigations, and on overcoming political resistance in various key countries to ensure such cooperation.

Governments need laws which: establish corporate criminal liability for bank and non-bank financial institutions; apply to all manner of financial transactions not limited to cash at the teller's window; draw from a long list of predicate offenses not limited to drug trafficking; criminalize investments in legitimate industry if the proceeds were derived from illegal acts; and enable the sharing of financial and corporate ownership information with law enforcement agencies and judicial authorities.

But governments also need strategies, end-games which project change and progress along the same continuum as the changes in both financial system procedures and the methods criminals develop to exploit them--strategies which focus on specific governments and specific financial systems.

Over time, a number of actions can be seen as needed on a continuing basis to keep pace with the dynamics of money laundering in a high-tech world, and ten action categories were identified in the 1994 INCSR. Continuous action is needed on each of those categories in 1995, and for the foreseeable future, but the changing dynamics of the field prompt the addition of five new action categories for 1995 and beyond:

11. The United Nations Drug Control Program (UNDCP) should intensify its efforts to ensure that all significant financial center countries are implementing fully the anti-money laundering and asset forfeiture provisions of the 1988 UN Convention. As an immediate priority, UNDCP should focus on securing ratification by the 12 significant financial center governments which have not yet ratified the Convention.

12. The Financial Action Task Force, working with the Offshore Group of Banking Supervisors and other relevant organizations, should focus increased attention on offshore banking. FATF has been quite effective in reaching out to this group; a majority of offshore banking centers are either members of FATF or the Caribbean FATF, or, have participated in FATF/CFATF seminars which provided guidance on adopting/implementing FATF and UN guidance. More analysis is needed of the methods used to move money through offshore banks, and OGBS should be supported in efforts to include as many offshore banking centers as possible within its membership, and, a parallel effort to evaluate progress by its members.

13. The adoption by governments of information standards recommended by FATF and the SWIFT banking information network is a welcome if not yet universal step, but, many more governments need to cooperate with their banking system on developing regulations which help curb the misuse of electronic transfer and payment mechanisms to launder illicit funds.

14. Governments and banking systems alike must be more vigilant in efforts to detect counterfeit currency and other monetary instruments. The schemes involving counterfeit bonds and other securities (usually as collateral) suggest there is also a need for an international clearinghouse which assists banking and financial systems outside the major centers in determining the authenticity of offered documents (an acute need, from all indications, in Eastern Europe).

15. Governments and banking systems must exert greater efforts to identify and prevent a wide range of financial crimes, not just drug and non-drug money laundering, but also the variety of financial frauds, such as prime bank guarantees. Again, the history of such frauds suggests a need for a clearinghouse which can assist financial houses in identifying customers and authenticating documents.

The continuing action categories are:

1. Constant Monitoring of Money Laundering Patterns, Trends, Typologies. More sophisticated techniques, involving both bank and non-bank financial institutions, in a wider array of traditional and non-traditional financial center countries, have complicated identification, tracing and investigation. Information exchanges have been improving, but critical gaps in know-how must be closed in tandem with improved cooperation.

2. Analysis of Money Management Practices. We need improved information from more countries on what factors influence traffickers and/or money managers to use particular systems in specific countries, to keep reserves in cash vs other monetary instruments, to invest rather than "park" funds. Interviews of arrested drug money managers are producing detailed profiles of money management schemes. The best data so far applies to the cocaine trade, but we need to develop the same level of knowledge about heroin and marijuana syndicates.

3. Analysis of Non-Drug Related Money Laundering and Other Financial Crimes. Traffickers seldom invent new methods or practices but utilize techniques perfected by corporations and individuals to shelter proceeds from taxation or to avoid strict currency controls. Money is also laundered by terrorists, arms dealers, other criminals. We need to identify the parallels between drug money laundering and financial crimes of every description--and achieve an equal capability to investigate and prosecute such crimes. A number of governments are willing to impose new restrictions on drug-related financial crimes, but hesitate to apply such strictures to other forms of financial crime.

4. Equating Economic Power with Political Clout. The increasing concentrations of wealth among criminal groups in several parts of the world is a concern, not only because of possible impacts on investments and real estate values as well as legitimate commerce, and, on another plane, government integrity, but also because these organizations have immense campaign coffers available to them and to candidates who overtly or covertly do their bidding. We need to assess the national security and political implications of these shifts and accumulations of wealth--for all financial centers where such wealth is being concentrated. Illicit funds and corrupt officials represent a continuing threat to democracy in literally every region of the world.

5. Eliminating Systemic Weaknesses. At one level, we need banks to maintain the same kinds of records on clients which are also financial institutions, as they do for other customers, and to report suspicious transactions by such clients. At another level, we need to take action when the same financial institutions are named repeatedly in investigation after investigation--including but not limited to revocation of licenses, changes in ownership and management, levying of fines, and prosecution.

6. Assessing The Trafficker as Entrepreneur. We need to explore the extent to which criminal organizations, by regions, are penetrating legitimate financial and other businesses, using their vast resources to gain control and to impact economic, financial and business decisions.

7. Analyzing Money Laundering as a Function of Economics. the interplay between political and structural factors in a country, and its involvement in money laundering needs to be better understood. We need to ask a whole series of questions about impacts. To what extent do depressed economies weaken financial system enforcement? When do bankers and other financial managers become more willing to take money from any source with fewer questions asked? Can we set up a scale of predictability using economic factors that will help identify weaknesses and points of vulnerability in the global network? We need to evaluate the potential effect of economic countermeasures, such as decertification by governments, or exclusion from the system by major financial concerns, on those banks and others with a "do anything for capital" mentality.

8. Regulating Exchange Houses and Remittance Systems. There is ample evidence that the various "hundi, hawalla, and chop" remittance systems, so essential to economic life in the Middle East, South and East Asia, are being used by drug traffickers, just like the "cambios" of Latin America, and non-bank institutions of all kinds in the Western financial community. They serve vital functions for key sectors of many economies; how can they be regulated without destroying the very informality that makes them effective and desirable?

9. Concentrating Efforts for Maximum Effectiveness. Enforcement operations have proven we can disrupt cartel operations. For a time, money was hard to move, operations were disjointed, organizational structures wobbled. But these organizations are resilient and recovered quickly, and now employ professional managers. The obvious question is how much money do we have to take out of the system, for how long a period of time, to destabilize an entire organization for a sustained period--after which it becomes inoperative? What parallel pressures should be applied when money is on hold and the cartels are sorting out whom to trust with their proceeds? Given some unknown level of volume, at what point do monetary seizures really hurt? How hard do we have to hit them to score a knockout? Is a knockout possible?

10. Pursuing A Continuously Evolving Strategy. For much of the 1980s, concerned governments operated under a strategy which involved a handful of key countries whose cooperation was essential and/or which were drug money laundering centers.

But the traffickers have changed tactics and moved to new locales, and now they are part of a larger criminal order which considers the world its playground. Banks are but one portal; they use securities brokers, insurance companies, a galaxy of import and export companies--in fact, every means the worlds of business and finance have to offer, all linked by wireless and facsimile transmissions, are used by traffickers and the managers of their illicit proceeds.

At the policy and regulatory levels, organizations like the United Nations, Financial Action Task Force, European Union, Council of Europe, Organization for Economic Cooperation and Development, Caribbean FATF and Organization of American States help ensure that the burden of responsibility for change is shared. But the need is for quick, flexible action by a maximum number of governments. Bilateral and multilateral outreach efforts must be intensified to involve that second and even third tier of vulnerable financial systems--in a concentrated effort to counter money laundering from all serious crime.

In sum, we must have a continually evolving strategy which embraces all countries of significant interest, and carries with it the resolve and resources necessary to implement and enforce it. Governments must be as flexible, responsive and resourceful as the criminal organizations.

## **BILATERAL ACTIVITIES**

**1994 LEGISLATION.** The Money Laundering Suppression Act of 1994, strongly endorsed by Justice and Treasury, overturned the Supreme Court's adverse structuring decision in Ratzlaf v United States; it requires federal registration of money exchangers and transmitters; and requires declarations of foreign bank drafts being brought into or taken out of the United States.

**TREATIES AND AGREEMENTS.** Mutual legal assistance treaties (MLATs) and executive agreements, which are negotiated by the Department of Justice in cooperation with the Department of State to facilitate cooperation in criminal matters, including money laundering and asset forfeiture, are in force with 17 governments including: Switzerland, Turkey, Italy, the Netherlands, Canada, Mexico, the Bahamas, Argentina, the United Kingdom with respect to its Caribbean dependent territories (the Cayman Islands, Anguilla, British Virgin Islands, the Turks and Caicos Islands and Montserrat), Uruguay, Morocco, Spain and Thailand. MLATs have been signed but not brought into force with ten other governments: Jamaica, Belgium, Colombia, United Kingdom, Korea, Panama, Hungary, the Philippines, Austria and Nigeria. Similar treaties are in various stages of negotiation elsewhere. The US also has signed the OAS Mutual Legal Assistance Treaty.

The US has entered into executive agreements on forfeiture cooperation, including: (1) an agreement with the UK providing for forfeiture assistance and asset sharing in narcotics cases; (2) a drug-related forfeiture agreement with Hong Kong; (3) a forfeiture cooperation and asset sharing agreement with the Netherlands (but not yet in effect with Aruba and the Netherlands Antilles). The US has asset sharing agreements with the Cayman Islands, Colombia (non-reciprocal), and Ecuador. The US has agreed on the text of an asset sharing agreement with Canada, which should be signed in 1995.

Treasury has completed Financial Information Exchange Agreements with Mexico, Colombia, Ecuador, Peru, Panama (as part of the MLAT which has not been ratified by the US Senate), Paraguay (which awaits approval by the Paraguayan Senate) and Venezuela. Justice and State cooperate in these negotiations.

US Customs has mutual assistance agreements with Argentina, Australia, Austria, Belarus, Belgium, Canada, Cyprus, Czechoslovakia (now extended to the Czech Republic and Slovakia), Finland, France, Germany, Greece, Hungary, Italy, Korea, Mexico, Norway, Poland, Russia, Spain, Sweden, United Kingdom and Yugoslavia. Customs has negotiated agreements with other countries that are not yet in force: Denmark and Honduras.

**WIRE TRANSFER REGULATIONS.** The Annunzio-Wylie Anti-Money Laundering Act of 1992 authorized Treasury and the Federal Reserve jointly to promulgate regulations requiring maintenance of certain records for certain funds transfers by domestic financial and nonbank financial institutions. On January 3, 1995, two rules were issued under the Bank Secrecy Act that will for the first time require uniform recordkeeping for wire transfers. The first rule, which was issued jointly, requires the collection and retention of information related to wire transfer transactions, notably identification of parties to the transactions.

The second rule issued by Treasury on the same date requires each financial institution involved in wire transfer transactions to include information in the payment orders sent to the next institution in the wire transfer link (so that the information "travels" with the payment order). Once implemented on January 1, 1996, the rules will add an important investigative weapon to law enforcement's arsenal to enhance detection of domestic and international money laundering through funds transfer systems.

**FINANCIAL INTELLIGENCE UNITS.** A goal of the USG, consistent with its pursuit of harmonization of efforts and strategies in the fight against money laundering, is to achieve linkages of policy and purpose (and, where appropriate, of data) among financial intelligence units, and to promote creation of such units in the significant financial center countries. Too often, the US has found, governments are not yet agreed on which competing agency should receive and analyze critical financial and crime data, which limits such governments effectiveness in developing strategies against money laundering. Examples of existing financial intelligence units (which vary in structure, purpose and authority) include FinCEN, France's TRACFIN, Australia's AUSTRAC, the United Kingdom's NCIS, and Belgium's CTIF. Efforts are underway to establish a similar organization in other countries, a number of which have received technical and policy guidance from the United States.

**TRAINING AND TECHNICAL ASSISTANCE.** During 1994, US departments and agencies conducted bilateral and multilateral training on the topics of drugs, money laundering, white collar crime, customs violations, mutual legal assistance, and forfeiture-related matters in every sector of the globe. Governments which received such assistance overseas included: Andorra, Armenia, Australia, Bangladesh, Cambodia, Chile, China, Czech Republic, Ecuador, Finland, Germany, Hong Kong, India, Indonesia, Italy, Kenya, Korea, Kyrgyzstan, Laos, Latvia, Lithuania, Maldives, Mexico, Moldova, the Netherlands, New Zealand, Panama, Paraguay, Philippines, Portugal, Russia, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Venezuela, Vietnam and Zimbabwe. In addition to these bilateral initiatives, US agencies collaborated with UNDCP, OAS, Interpol, World Customs Organization, and FATF in seminars and training programs.

**ENFORCEMENT.** OPERATION DINERO was a DEA/IRS long-term undercover money laundering operation in Atlanta, which was initiated in 1992 and taken down in December 1994. Operation Dinero, which targetted the illicit drug proceeds of the Cali Mafia, resulted in 88 arrests in the US, Spain, Italy and Canada, the seizure of nine tons of cocaine, and the seizure of more than \$50 million in cash and other property. The first phase focused on undercover money pickups which connected drug trafficking and money laundering groups in the United States. The second phase used an ostensibly legitimate offshore bank (actually operated by DEA) in Anguilla, set up with the help of IRS and UK authorities. Promoted by DEA undercover agents, the bank began taking drug trafficker accounts in 1994. In addition, various undercover corporations were created to provide services such as loans, cashiers' checks, wire transfers, peso exchanges, etc. The Cali cartel also engaged the bank to sell three paintings, including a Picasso, a Rubens and a Reynolds, which were seized.

OPERATION PRIMERO, a Customs investigation which targetted more than 100 businesses in the US, South America and Europe, resulted in indictments in June 1994 against six members of a Colombian drug confederation. The investigation centered on Universal de Cambios, a wire transfer business in Atlanta, which was allegedly one of the largest international money laundering organizations for the Cali cartel. Universal is one of several financial organizations alleged to belong to the confederation. The indictment in Atlanta charged the defendants with laundering drug proceeds (by wire) from the US, Spain, France and Italy. The investigation resulted in the arrest of 91 persons in those three countries, and led to the seizure of \$15 million in cash, 43 kilos of cocaine, and 250 pounds of marijuana.

THE HUGO CUEVAS GAMBOA ORGANIZATION. In mid-October, law enforcement officials from the US, UK and nine Latin American nations launched an unprecedented coordinated operation against the Hugo Cuevas Gamboa Organization (HCGO), an alleged drug money launderer. The operation represented the largest joint money laundering operation to date, involving US enforcement agencies, the intelligence community and Embassy country teams, and, provided an invaluable learning experience by boosting confidence in liaison counternarcotics collection capabilities, analytic expertise, and ability to plan and execute a complex operation against a sophisticated target. The raids, which disrupted the organization's operations, particularly in Central America, generated extensive press coverage of the money laundering problem in Latin America.

THE MIZUNO CASE. Customs continues to investigate the financial activities of Ken Mizuno in the United States. On June 16, 1992, an indictment was returned in U.S. District Court (Nevada) charging Mizuno with money laundering. A Federal arrest warrant was issued for Mizuno but he remains in Japan under investigation on charges of tax evasion. Customs has seized real property and other assets in the United States valued at more than \$108 million, making this investigation the second largest non-drug money laundering case prosecuted by the US government.

OPERATION CHOZA RICA is a long-term undercover operation that began in 1990. On November 21, 1994, a banking arm of the American Express Company settled for \$32 million a Customs money laundering investigation that involved Mexico's largest drug cartel, also a principal conduit for Colombian cocaine entering the United States. This was the largest civil penalty ever assessed against an American financial institution for laundering money. American Express Bank International was accused of laundering drug money through Cayman Island accounts for the Juan Garcia-Abrego Drug Organization. On June 2, 1994, a Federal jury in Brownsville, Texas convicted two American Express Bank International employees for their roles in laundering approximately \$30 million in drug proceeds. On August 12, 1994, the two employees received sentences of 10 and 3.5 years respectively. In a prepared statement, American Express Bank International admitted to no wrongdoing but said that it had legal responsibility for its employees' actions, and agreed to forfeit its interest in any account used by the money launderers. The case resulted in the criminal forfeiture of \$29.8 million in laundered money, and AEBI agreed to pay a \$14 million criminal penalty under 18 USC 1956 while spending \$3 million to improve its compliance program. The Government agreed not to seek criminal charges against the bank.

THE SPENCE CASE, a DEA/FBI investigation, led to Justice filing charges on November 30, 1994, against 23 defendants, including a lawyer, two principals of a private Swiss bank, a stockbroker, a local bank official, two rabbis, an Honorary Consul General for the Republic of Bulgaria, and a New York City Police Officer and a firefighter, with participating in a major international money laundering organization responsible for laundering tens of millions of dollars in narcotics proceeds. The defendants are members of an organization based in various cities around the world, including New York City, Los Angeles; Mulheim, Germany; Zurich, Switzerland; and Cali, Colombia that laundered narcotics proceeds for drug traffickers in the US, Canada, Puerto Rico and in cities throughout Europe. Law enforcement officials seized \$5 million from the members of the organization. A substantial portion of the monies being laundered by the organization were sent to a private bank in Zurich through which the organization laundered an estimated \$70-100 million during 1993.

OPERATION PROMO, a two-year undercover investigation by DEA in cooperation with the IRS and the sheriff's office in Tampa, led to the indictment of two top executives of Merrill Lynch in Panama, who allegedly played a key role in the laundering of millions of dollars of perceived drug proceeds. They were among a group of 28 persons implicated in five indictments. The alleged money laundering involved funds disguised as proceeds of an import/export business, which were moved through shell corporations and investment accounts in Florida, New York, British Virgin Islands, Panama and Liechtenstein. The list of defendants includes senior bank officials, businessmen and drug dealers from Panama and the United States. The laundering operation allegedly exploited a Colombian government program called "Reintegros" which permits the repatriation of Colombian export profits and conversions from US dollars to pesos.

The GOLDEN TRASH investigation, an FBI international drug/money laundering investigation, was directed at the infiltration and prosecution of a major Colombian organization controlled by David Mier in Miami and the Borrelli-Mier family based in Colombia which was responsible for smuggling cocaine and heroin and laundering their proceeds. On August 10, 1994, 52 subjects, including David Mier, were indicted by the District of San Juan. On August 16, 1994, the first phase of the investigation resulted in the arrest of 34 subjects. To date, about \$10 million in cash and assets have been seized (including 83 vehicles, seven boats and 13 houses), 85 subjects have been indicted, 65 subjects have been arrested and over 500 kilograms of cocaine have been seized.

OPERATION CUP also demonstrated the vulnerability of banks to insider participation in money laundering schemes. This joint operation by Customs/IRS ended November 14, 1994, with the arrest in the Southern District of Florida of Jean Jacques Handali, an account director of the Union Bancaire Privee (CBI-TBD), a large private bank in Geneva, along with three co-defendants. Handali's operation laundered \$2.5 million during the period of the investigation, which began April 1993.

**ASSET SHARING.** Pursuant to the provisions of the 1988 US law, the Departments of Justice, State and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of drug trafficking and money laundering, offering the inducement of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures, and undertake independent investigations.

From 1989 through December 1994, the international asset sharing program administered by Justice resulted in the forfeiture in the US of \$105,800,838, of which \$34,105,828 was shared with foreign governments which cooperated in the investigations. In 1994, the Department of Justice transferred forfeited proceeds to: Bahamas (\$56,323); Canada (\$64,325); Cayman Islands (\$422,388); Channel Islands-Guernsey (\$297,713); Ecuador (\$330,317); Hungary (\$8,415); Liechtenstein (\$20,500); Netherlands Antilles (\$22,500); Romania (\$23,700); and Switzerland (\$5,512,389). The Justice Asset Forfeiture Fund received \$2.5 million in drug proceeds from two cases in which the Swiss forfeited assets with assistance from the United States.

Prior recipients of shared assets (1989-1993) include: Canada, Switzerland, United Kingdom, British Virgin Islands, Cayman Islands, Colombia, Venezuela, Paraguay, Guatemala, Costa Rica, Argentina, Egypt, and the Bahamas. Switzerland has shared in eight forfeitures, receiving about US\$20 million, or more than half the total distributed. Additional sharings are in the process of being approved.

The Customs Service in 1994 remitted \$58,586 to the Government of Nicaragua, \$116,685 to the Royal Canadian Mounted Police, \$134,498 to the Vancouver Police, and \$39,970 to Panama's Technical Judicial Police. Previously, Customs had shared \$226,506 in seized assets with Canada (three awards) and Trinidad and Tobago, as well as earlier awards of \$2 million to France and \$3 million to the United Kingdom.

**BANK OF CREDIT & COMMERCE INTERNATIONAL (BCCI).** In July 1991, after allegations of worldwide money laundering, convictions of BCCI employees in the United States for money laundering, allegations of worldwide fraud and corruption, and an irreversible liquidity crisis, regulators from countries in which BCCI operated engaged in coordinated closure of the bank. Several months after the closure, the worldwide liquidator of BCCI entered a plea of guilty on behalf of BCCI to criminal and civil charges in the U.S., related to frauds perpetrated by BCCI.

In January 1994, the US entered into a settlement with the former majority shareholders of BCCI, who consisted of various high ranking officials and agencies of the government of Abu Dhabi, United Arab Emirates. These shareholders agreed to transfer to the US their interest in shares of the parent of First American Bank, and relinquish other associated rights, all valued at approximately \$450 million. Additionally, the majority shareholders agreed to cooperate with US authorities in the continuing BCCI probe by, among other things, providing access to millions of BCCI documents and turning over to the US Swaleh Naqvi, the Number Two executive at BCCI.

In July 1994, Naqvi entered a plea of guilty to various Federal criminal charges and is now serving eight years incarceration in the United States. He continues to face criminal charges in the State of New York.

The US also has been extremely active in reaching negotiated settlements with various foreigners who may have participated in BCCI's illegal activities in the United States. To date, the US has collected over \$750 million in penalties and restitution, most of which will be ultimately returned to the innocent victims of BCCI's fraud, abuse and other illicit activities. Also, the US has forfeited more than \$600 million which was in BCCI accounts with US banks at the time of the 1991 closure or in other US assets. Half of these monies will be returned to the innocent victims of BCCI's abuse.

## **MULTILATERAL ACTIVITIES**

**THE FINANCIAL ACTION TASK FORCE.** In 1994, FATF focused on several major areas in its fight against money laundering. An experts group met to assess the current money laundering methods and typologies and to discuss possible actions. These results are being reviewed by the FATF plenary to determine its future course of action. The FATF has completed the mutual evaluations of the status of its members' implementation of the recommendations and has started a stocktaking of the existing 40 FATF recommendations and interpretive notes. Wire transfers, currency exchange houses, and offshore financial services are some of the areas of interest. The Netherlands is the FATF President for 1994-95, and the United States (the Department of the Treasury) will be the next President (1995-1996).

The Financial Action Task Force was created by the Economic Summit in 1989 and now includes 26 governments: United States, France, Germany, UK, Canada, Japan, Belgium, Netherlands, Luxembourg, Italy, Sweden, Denmark, Norway, Finland, Iceland, Ireland, Spain, Portugal, Greece, Austria, Switzerland, Turkey, New Zealand, Australia, Hong Kong, Singapore, the European Union (represented by the Commission of the European Communities) and the Gulf Cooperation Council.

The FATF Secretariat is housed in the Organization for Economic Cooperation and Development. FATF consults with the UN Drug Control Program, Council of Europe, World Bank, European Bank for Reconstruction and Development, International Monetary Fund, Interpol, World Customs Organization, and the Organization of American States.

FATF operates through a steering committee, which includes the President (Netherlands), the past President (United Kingdom), the next President (US/Treasury), and additional delegates named by the President for the 1994-95 term (Italy, Norway, Australia, France and US/State). For 1994-95, FATF abolished its three working groups (Legal, Financial and External Relations) to concentrate more issues into plenary discussions.

The FATF program has three principal components. In May 1990, FATF adopted 40 recommendations on money laundering countermeasures, which among other purposes are intended to build upon the provisions of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

In a nearly unique action taken by an international organization, members agreed in April 1991 that each of the 26 governments would be evaluated by experts from among the membership on comparative progress in implementing these recommendations. This action underscored the political commitment of FATF members and heightened FATF's credibility in the world's financial and enforcement communities.

FATF members meet regularly to consider trends and methods used to launder money; where appropriate, they recommend changes or new interpretations of the 40 measures. They also engage in discussions, internally and with outside experts, on such major issues as regulating wire transfers, standards for non-bank financial institutions, asset forfeiture and asset sharing, and the use of shell corporations, offshore banks and related entities to facilitate money laundering.

An FATF objective is to engage all financial centers and other governments significant from a money laundering perspective in the FATF consensus. Through its external relations program, FATF urges other countries to endorse and implement these recommendations, and to agree to be evaluated on their progress. FATF attempts to provide, directly or in association with the UN, the EU and other organizations, a sufficient level of training and technical assistance to meet those objectives.

FATF conducts seminars, drawing experts from member governments and international organizations, and also conducts high-level visits of FATF officials, some of which are quasi-seminars in nature. FATF seminars involve regulators as well as bankers, finance and justice ministries, enforcement agencies and prosecutors. Each seminar is designed to explain the policy approach to the specific problems of a given region, and to provide guidance on implementation and evaluation. Three major seminars were held in 1994. Two, in cooperation with OAS, were held in Buenos Aires and Quito, and attracted all of the significant Latin American financial center governments: Argentina, Paraguay, Uruguay, Chile, Brazil, Peru, Bolivia, Colombia, Ecuador, Venezuela, Panama and Mexico. The third was held in Kuala Lumpur (the second large meeting of East, South, and Southeast Asian and Pacific governments) where the leaders announced creation of an Asian FATF Secretariat, to be located in Sydney (thanks to a generous donation from Australia). The 1994 seminar included Pakistan, India, Bangladesh, Nepal, Sri Lanka, Thailand, Malaysia, Indonesia, Brunei, Korea, People's Republic of China, Taiwan, the Philippines and Laos, as well as FATF Members Singapore, Hong Kong, Japan, New Zealand, Australia, UK, France, Italy and United States.

During 1994, FATF returned to Russia for an assessment of progress since its 1993 seminar in Moscow (see Russia in country section), and was briefed on a proposed new money laundering law which incorporates many of the recommendations made at the seminar. FATF officials also visited the Czech Republic where they consulted on proposed anti-money laundering policies. FATF conducted a visit to Malaysia, Thailand, and Taiwan in May 1994 which laid the groundwork for the successful all-Asian seminar. FATF also participated in the Council of Europe conference where meetings were held with several East European governments, and the Commonwealth Secretariat Conference in Trinidad.

Five FATF Members (US, UK, France, Netherlands and Canada) continued to support and finance the Caribbean Financial Action Task Force (CFATF), which established a Secretariat in Port-of-Spain in 1994. Trinidad and Tobago is CFATF president. A major task is to implement 59 recommendations (the FATF 40 plus 19 indigenous to the region) which ministers from Caribbean Basin governments endorsed at a plenary meeting in Kingston, in November 1992. The resolutions include a commitment to evaluate their progress at one and three year intervals. A Steering Group was selected which includes the Bahamas, Panama, Grenada, Netherlands Antilles, Cayman Islands and Trinidad; this group met in November 1993 and again in March 1994 to approve a strategy for 1994-95. This planning led to a technical workshop in November 1994 at which governments reported on their progress in adopting laws to implement the Convention and recommendations. A key outcome of the discussions were commitments by Trinidad, the Cayman Islands, and Bahamas to be examined by outside experts, using the FATF evaluation format.

Other participating governments include Antigua and Barbuda, Aruba, Brazil, British Virgin Islands, Canada, Colombia, Dominican Republic, France, Jamaica, Mexico, Netherlands, St. Vincent and the Grenadines, Turks and Caicos, United Kingdom, United States and Venezuela.

FATF also supports the OAS in its efforts to foster adoption and implementation of its model laws, which are based on the 1988 UN Convention. The OAS anti-money laundering model laws also incorporate FATF recommendations.

The expectation for 1995 is that FATF will continue to give priority to its external relation efforts in Eastern Europe, the Caribbean, and Asia, but initiatives also will be undertaken in Africa. High-level visits are contemplated for Morocco, the People's Republic of China, Korea, Indonesia and the Philippines.

This strategy supports a "futures paper" adopted by FATF in January, 1994, which broadens the group's mandate to include money laundering from all serious crime, i.e., not limited to the laundering of drug proceeds.

### **1988 UN CONVENTION**

Over one hundred states are parties to the 1988 UN Convention, which requires signatories to pass legislation making money laundering a crime. This number includes the great majority of high to medium priority governments. Treaty reservations, lack of domestic enabling legislation, and inconsistent enforcement of anti-money laundering and asset forfeiture provisions however, are key factors in the continued high level of global financial crime.

Ten states became parties to the Convention in 1994: Sierra Leone, Panama, Latvia, Saint Vincent and Grenadines, Poland, Colombia, Kyrgyzstan, Ethiopia, Finland and Norway.

These states had become parties to the Convention in prior years: Afghanistan, Antigua/Barbuda, Argentina, Armenia, Australia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Bhutan, Bolivia, Bosnia/Herzegovina, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Chile, China, Costa Rica, Cote d'Ivoire, Croatia, Cyprus, Czechoslovakia, Denmark, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, France, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guyana, Honduras, India, Iran, Italy, Japan, Jordan, Kenya, Luxembourg, Madagascar, Malaysia, Mauritania, Mexico, Monaco, Morocco, Myanmar, Nepal, Netherlands, Nicaragua, Niger, Nigeria, Oman, Pakistan, Paraguay, Peru, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Senegal, Seychelles, Slovakia, Slovenia, Spain, Sri Lanka, Sudan, Suriname, Sweden, Syria, Togo, Tunisia, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Venezuela, Yugoslavia, Zambia, Zimbabwe, and the former Yugoslav Republic of Macedonia. The European Community confirmed Article 12.

The twenty-one governments which are signatories to the Convention but have not yet moved to become a party include several important financial center countries -- (high) Switzerland; (medium-high) Turkey and Uruguay; (medium) Austria, Belgium, Hungary, Kuwait, and the Philippines, (low-medium) Trinidad and Tobago -- as well as some governments ranked low or no priority -- Algeria, Cuba, Gabon, Holy See, Indonesia, Ireland, Jamaica, Maldives, Mauritius, New Zealand, Yemen and Zaire.

As of February 1, 1994, thirty-eight governments had neither signed the Convention nor become a party; 22 of the governments on this list, which contains fewer key financial centers than the list above, are in Africa, which has received comparatively less attention from money launderers and/or groups attempting to counter it: Albania, Angola, Belize, Benin, Botswana, Cape Verde, Central African Republic, Chad, Comoro Islands, Congo, Cook Islands, Djibouti, Equatorial Guinea, The Gambia, Guinea-Bissau, Haiti, Iceland, Iraq, Kampuchea, Kiribati, North Korea, South Korea, Laos, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Malawi, Mali, Malta, Mongolia, Mozambique, Namibia, Papua New Guinea, Rwanda, St. Kitts and Nevis and St. Lucia. Of these, three (Liechtenstein, South Korea, and Lebanon) are significant from a money laundering perspective.

**ORGANIZATION OF AMERICAN STATES.** The Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States issued the "Declaration of Santiago" at its sixteenth semi-annual session in October, 1994, which renewed the political commitment of the member states to support CICAD and strengthen Hemispheric cooperation against drug trafficking and abuse. The members agreed that CICAD should launch an evaluation of the status of money laundering control in the Hemisphere, and, devote its October 1995 semi-annual meeting to the issue of money laundering.

The evaluation, which will include an assessment of the difficulties countries may be having in implementing the OAS model regulations, as well as their degree of conformity, is due at CICAD's March 1995 meeting. This evaluation and an accompanying assessment of technical assistance needs will become part of the basis for deliberations by Ministers at the conference agreed to at the Summit of the Americas.

CICAD had a very active anti-money laundering agenda in 1994. In addition to assisting member states in adopting and implementing the OAS model regulations, CICAD co-sponsored two major seminars with the Financial Action Task Force. The first seminar was held in Buenos Aires, the second in Quito in late September. While a majority of OAS members have adopted some portion of the OAS regulations, which are consistent with FATF's 40 recommendations, some countries have not adopted even basic laws, and, implementation is not yet at desired levels on a hemisphere-wide basis.

The OAS model statutes, which were drafted by a 13-nation group during 1991-92, and unanimously approved by OAS in May, 1992, consist of 19 articles, which focus on three areas of regulatory and enforcement activity. The first three articles provide definitions and set forth a model statute to criminalize money laundering. The second group of articles sets forth model statutes for the seizure and forfeiture of assets. The third set provides a framework for regulations involving financial institutions and currency transaction recording/reporting. The OAS Mutual Legal Assistance Treaty which would provide a mechanism for the exchange of evidence and information on money laundering and other criminal activity is open for signature.

**REPORTING COMPLIANCE.** The accompanying charts are provided to comply with the International Narcotics Control Act of 1992, P.L. 102-583, which established reporting requirements for FY 1993 and 1994, and as amended FY 1995, including a requirement that the INCSR identify the major money laundering countries, and provide specific information for each such country.

There is no uniformly reliable way of estimating the volume of illicit drug or non-drug related currency or monetary instruments flowing through a given financial system, and therefore no mathematical definition of "major money laundering country." However, there is enough information about the majority of nations and territories to identify them as high, medium or low rank in terms of their comparative significance on the world stage. From such rankings, an inference can be made that a given nation or territory is a major concern to the USG if it is considered of high or medium-to-high significance and thus of high or medium-to-high priority for bilateral and multilateral intervention. The designations for each nation or territory are shown as (H), (M) or (L) or (NP) for no priority. Those which are (M-H) or (H) are shown in the compliance table.

Admittedly, intelligence on money in transit and under conversion through bank and non-bank financial systems results in Switzerland, which has adopted and enforces very strong laws, and Britain, which is a mainstay in international enforcement efforts, appearing on the same list with governments which have, comparatively speaking, done little or nothing to stop the significant flow of drug proceeds and other illegal funds through their financial systems.

The chapter therefore provides data tables and other information which show the relative degree of compliance with such critical criteria as criminalizing money laundering, or requiring the reporting of unusual or suspicious transactions.

Said another way, the higher priority grouping is that list of governments from which effective action is needed if the international community is to make any headway in the collective effort to stem and prevent the laundering and/or transit of the proceeds of serious crime.

A number of governments were ranked High priority because it is believed that, if new or improved laws were more effectively applied, it would make a difference in the money laundering world. For example, the passage of new laws in Switzerland prompted movements of money away to other locales. That is, its reduced utility to traffickers and/or money launderers would have an impact.

These rankings can change. Aruba, the Netherlands Antilles, Argentina, Costa Rica, Antigua, Cuba, Dominican Republic, Vanuatu, Anguilla, Cambodia, Iran, Iraq, Romania, St. Kitts and St. Vincent are among the governments whose priorities have been raised since the 1994 report. Conversely, the situation in the Bahamas seems to have improved and its ranking is lowered, as have the rankings for Burma, Ivory Coast, and Nepal.

A Medium priority country designation can indicate a country in transition, where the threat is real but hasn't fully materialized, or simply a country where a significant but not market-shaping volume of money laundering is believed to occur, or one which gives moderate but important assistance to anti-money laundering enforcement efforts.

A Low priority country is one in which there is only a moderate amount of money laundering, and one in which we do not expect the situation to worsen in the immediate future. By definition, we would not expend major resources in such a country.

No Priority means that we either are not aware of any money laundering, or that it is too insignificant to be a factor in the international drug money market.

These rankings, like all material in this chapter, were developed in a series of meetings involving State, Justice, Treasury, Federal Reserve, Comptroller of the Currency, Central Intelligence Agency, and included the Drug Enforcement Administration, Customs, Federal Bureau of Investigation, Financial Crimes Enforcement Network, Internal Revenue Service, Secret Service and the Office of National Drug Control Policy.

The table below responds to Section 489(a)(7)(c) of the Foreign Assistance Act of 1961, as amended. For these purposes, it is assumed below that each of the high or medium-to-high priority nations or territories can be considered major; that a significant but unknown amount of US and other drug-related currency flows through their financial systems, in an amount or manner of importance to the United States; and, that the USG either has agreements in force which permit needed exchanges of data and other information or that there is sufficient compatibility of laws to permit such sharing as needed. It should be noted that the USG has pursued agreements in only a small number of instances.

An important change from the 1993 to 1994 INCSR is that, in addition to showing whether a government has become a party to the 1988 UN Convention, the table this year indicates whether that government is fully meeting the goals and objectives of the Convention. In 1993, that finding was expressed in the country summaries; now it is in both the table and the summaries. A finding that a government has not become a party to the Convention, or not adopted legislation to criminalize money laundering, or to require banks to maintain records, has not permitted reporting of suspicious transactions, or established systems to forfeit assets, or cooperated on investigations--or has not made a good faith effort to implement the legislation it has adopted--is grounds for a finding that a government is not fully meeting the goals and objectives of the Convention.

That given, the concentration below is on demonstrating whether a government has become a party to (UN 88) and is meeting the goals (Goals) of the 1988 UN Convention, shown as UN88 in the table, and, in response to Subsection (7)(C), whether a government has:

- (i) criminalized narcotics money laundering;
- (ii) required banks and other financial institutions to know and record the identity of customers engaging in significant transactions, including the recording of large currency transactions at thresholds appropriate to that country's economic situation;
- (iii) required banks and other financial institutions to maintain, for an adequate time, records necessary to reconstruct significant transactions through financial institutions in order to be able to respond quickly to information requests from appropriate government authorities in narcotics-related money laundering cases;
- (iv) required or allowed financial institutions to report suspicious transactions;
- (v) established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets;
- (vi) enacted laws for the sharing of seized narcotics assets with other governments;
- (vii) cooperated, when requested, with appropriate law enforcement agencies of other governments investigating financial crimes related to narcotics; and
- (viii) addressed the problem of international transportation of illegal source currency and monetary instruments.

<i>Actions by Priority Governments</i>	<i>Criminalized drug money laund.</i>	<i>Record large transactions</i>	<i>Maintain records ever time</i>	<i>Report suspicious transactions</i>	<i>System for identifying, etc. assets</i>	<i>Laws/procedures to share assets</i>	<i>Cooperates with law enforcement</i>	<i>Int'l transportation of currency</i>	<i>Adopted 1988 UN Convention</i>	<i>Met the Goals of 1988 UN Conv.</i>
<b>GOVERNMENT</b>										
Argentina	Y	N	V	N	Y	Y	Y	N	Y	N
Aruba	Y	Y	Y	N	Y	N	Y	N	*	N
Brazil	N	Y	Y	V	Y	N	Y	N	Y	N
Canada	Y	N	Y	V	Y	Y	Y	N	Y	Y
Cayman Islands	Y	Y	Y	Y	Y	Y	Y	Y	*	Y
Colombia	N	Y	Y	Y	Y	N	Y	N	Y	N
Costa Rica	Y	Y	Y	Y	N	N	Y	N	Y	N
Ecuador	Y	Y	Y	N	Y	N1	Y	N	Y	N
Germany	Y	Y	Y	Y	Y	N	Y	Y	Y	Y
Hong Kong	Y	N	Y	Y	Y	Y	Y	N	*	N
India	Y	Y	Y	?	Y	N	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Japan	Y	Y	Y	Y	Y	N	Y	N	Y	Y
Liechtenstein	Y	?	Y	?	Y	N	Y	?	N	N
Luxembourg	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Mexico	Y	N	N	N	Y	N	Y	Y2	Y	N
Netherland Antilles	Y	Y	Y	N	Y	N	Y	N	*	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Nigeria	Y	Y	Y	N	N	N	Y	N	Y	N
Pakistan	N	N	N	N	N	N	Y	N	Y	N
Panama	Y	Y	Y	N	Y	N	Y	Y	Y	N
Paraguay	Y	Y	N	N	?	N	N	Y	N	N
Russia	N	N	N	N	N	N	Y	N	Y	N
Singapore	Y	Y	Y	Y	Y	N	Y	?	N	N
Spain	Y	Y	Y	Y	Y	N	Y	?	Y	Y
Switzerland	Y	Y	Y	Y	Y	Y	Y	N	N	3
Thailand	N	N	N	N	Y	N	Y	N	N	N
Turkey	N	N	N	N	N	N	Y	N	N	N
UAE	N	?	N	?	?	N	Y	?	Y	N
United Kingdom	Y	Y*	Y	Y	Y	Y*	Y	Y	Y	Y
United States	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uruguay	N	Y	Y	N	N	N	Y	N	N	N
Venezuela	Y	Y	Y	Y	Y	N	Y	Y	Y	N
Y=Yes, N=No, V=Voluntary										
1/ Agreement says reciprocal obligation but no law in Ecuador generally on sharing with other countries.										
2/ Inbound only.										
3/ Switzerland has not ratified but substantially meets the goals.										
* UN Convention does not apply.										

## Money Laundering Chart

High Priority	Medium-High	Medium	Low-Medium	Low	No Priority	No Priority
Aruba	Argentina	Antigua	Cote D'Ivoire	Afghanistan	Albania	Madagascar
Canada	Brazil	Australia	Cuba	Andorra	Algeria	Malawi
Cayman Isl	Costa Rica	Austria	Denmark	Anguilla	Angola	Maldives
Colombia	Ecuador	Bahamas	Dom Rep	Barbados	Azerbaijan	Mali
Germany	India	Bahrain	Egypt	Bermuda	Bangladesh	Marshall Isl
Hong Kong	Japan	Belgium	Nepal	BVI	Benin	Mauritania
Italy	Liechtenstein	Belize	Portugal	Cambodia	Botswana	Mauritius
Mexico	Luxembourg	Bolivia	Sri Lanka	Czech Rep	Burkina Faso	Micronesia
Netherlands	N. Antilles	Bulgaria	Trinidad	Estonia	Burundi	Moldova
Nigeria	Pakistan	Burma	Vanuatu	F W Indies	C African Rep	Mozambique
Panama	Paraguay	Channel Isl		Finland	Cameroon	N Marianas
Singapore	Russia	Chile		Ghana	Cape Verde	N Korea
Switzerland	Spain	China		Haiti	Chad	Namibia
Thailand	Turkey	Cyprus		Honduras	Comoros	Nauru
UK	Uruguay	France		Indonesia	Congo	Nicaragua
USA	UAE	Gibraltar		Iran	Cook Isl	Niger
Venezuela		Greece		Iraq	Croatia	Oman
		Guatemala		Ireland	Djibouti	P N Guinea
		Hungary		Jamaica	Dominica	Qatar
		Israel		Kenya	El Salvador	Rwanda
		Korea		Laos	Eq Guinea	Saudi Arabia
		Kuwait		Latvia	Eritrea	Senegal
		Lebanon		Lithuania	Ethiopia	Seychelles
		Macau		Malta	Fiji	Slovakia
		Madeira/Azores		Monaco	Gabon	Solomon Isl
		Malaysia		N Zealand	Gambia	Somalia
		Montserrat		Norway	Grenada	Sudan
		Morocco		Puerto Rico	Guinea	Swaziland
		Peru		Romania	Guinea-Bissau	Tajikistan
		Philippines		Sierra Leone	Guyana	Tanzania
		Poland		South Africa	Iceland	Togo
		St. Vincent		St. Kitts	Jordan	Tunisia
		Taiwan		St Lucia	Kiribati	Turkmenistan
				Suriname	Kyrgystan	Turks & Caicos
				Sweden	Lesotho	Tuvalu
				Syria	Liberia	Uganda
				Ukraine	Libya	US Virgin Isl
				Vietnam		W Sahara
				Zambia		W Samoa
						Yemen
						Zaire
						Zimbabwe

2/24/95

**Other Africa.** The following countries were reviewed for the INCSR but are not considered to be money laundering centers or particularly significant from a money laundering perspective: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Guinea, Guinea-Bissau, Lesotho, Liberia, Libya, Madagascar, Mali, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Rwanda, Senegal, Seychelles, Somalia, Sudan, Swaziland, Tanzania, The Gambia, Togo, Uganda, Western Sahara, Zaire and Zimbabwe.

## COUNTRY SUMMARIES

### **WESTERN HEMISPHERE**

#### **NORTH AMERICA**

**Canada.** (High) On August 31, 1994, Canadian authorities concluded their largest-ever anti-money laundering operation, arresting 57 people, including three lawyers, and charging them with 1,744 counts of laundering the proceeds of drug trafficking. Arrests and raids on homes, businesses, and financial institutions occurred in Montreal, Trois Rivieres, Quebec City and Vancouver. More than 30 Montreal companies were implicated. The sting operation by the Royal Canadian Mounted Police revealed that proceeds laundered through a storefront in Montreal's exchange district wired drug proceeds into more than 200 bank accounts in the US, Europe and South America. Another Canadian sting operation targeted money exchange houses from Montreal to Vancouver and, in June 1994, resulted in 190 charges being filed against 36 companies and 65 individuals in seven Canadian cities.

Drug proceeds dominate the Canadian money laundering scene, including Colombian cocaine proceeds, Southwest and Southeast Asian heroin proceeds, and proceeds from the sale of all kinds of drugs in the US. Canadian officials believe that 80 percent of the money laundering which occurs, primarily in US dollars, is international in scope. The balance is from sales of drugs in Canada. The Solicitor General reports that banks and other deposit-taking institutions, currency exchange houses, front companies, real estate transactions, and gold shops are the principal venues for money laundering. Canadian banks are also attractive because of their Caribbean branches; officials say a common method is to deposit illicit proceeds in a Canadian bank, then transfer the funds to the Caribbean branch.

Canada and the US negotiated an asset sharing agreement in September 1994, which should be signed in March 1995, and new regulations for asset sharing have been prepared. US Customs shared US\$251,000 in two cases with Canadian agencies. Canada has averaged seizures of about C\$21.5 million per year, but seized more than C\$30 million in the first eight months of 1994.

US officials continue to believe Canada and the US would benefit from a Canadian system of monitoring cross-border currency movements. No declarations are required at present. Canada does require banks and non-bank financial institutions to maintain records of significant cash transactions, and banks keep similar records voluntarily on checks, money orders and wire transfers. But banks continue to oppose mandatory reporting of suspicious transactions (about 50 voluntary reports are made each month.)

**United States.** (High) As discussed in Accomplishments section, the United States strengthened its domestic and international capabilities through the 1994 Money Laundering Suppression Act. The act required Treasury to make transaction reporting system less burdensome and more efficient. It requires federal registration of all non-bank financial institutions and encourages state licensing. In April 1994, the Bank Secrecy Advisory Group, comprised of representatives from banks, securities dealers, money

transmitters, casinos, and other parts of the financial sector, as well as officials of federal and state government, was established. This unique partnership between business and government has been tasked with assisting in efforts to shape effective counter-money laundering policies while reducing any unnecessary regulatory burden. Its goal is to enable the financial community to be more effective and efficient in preventing and detecting money laundering and supporting swift enforcement actions.

**Mexico.** (High) Mexico ranks among the top money laundering countries in the Western Hemisphere. But current tools for controlling money laundering are inadequate. The serious money laundering problem results from several factors: close working relationships between Colombian/Mexican drug cartels; a lengthy land border that facilitates smuggling currency into Mexico from the US; insufficient money laundering laws; inadequately trained law enforcement agents who must enforce fiscal tax laws regarding money laundering; resistance by Mexican banks and money exchanges to new legislation that would regulate money transactions; and corruption within existing Mexican political, judicial, and law enforcement systems.

US concerns have been intensified by reports that drug traffickers have been buying bank stocks and seeking election to bank boards, after which they open numerous accounts through which they funnel drug money, often into real estate or other assets in Mexico.

Illicit proceeds are generated through the sale of Mexican heroin and marijuana, but also from heroin, marijuana, and cocaine from Colombia. Investigations indicate that as much as ten percent of total cocaine proceeds are laundered in Mexico. Much of the money laundering occurs through casas de cambio; a great deal of currency also is leaving the US through vehicles, transiting Mexico enroute to South America, or being integrated into the Mexican financial system and then transferred by wire. Mexican bank drafts are increasingly the financial instrument of choice of money launderers, particularly along the US-Mexico border. US currency is taken to Mexican banks, which do not report large cash transactions; the smugglers receive bank drafts drawn on the Mexican banks' accounts in US banks. The bank drafts may be smuggled back into the US, deposited into US bank accounts and/or transferred by wire. The drafts also may be used to finance shipments of both contraband and licit goods, as noted in Panama. Because Mexican bank drafts are not recognized as bearer instruments by the US treasury, a currency and monetary instrument report (CMIR) does not have to be filed when bank drafts are transported across the border. In addition, a currency transaction report (CTR) is not required when bank drafts are deposited in US banks. This makes Mexican bank drafts an excellent vehicle for laundering illegal funds. Mexican banks use their correspondent banking relationships with U.S. banks to clear bank drafts. The clearing bank is usually chosen by the purchaser of the draft, who, unlike the Mexican bank, is not required to have an account at the correspondent US bank. Over 500,000 Mexican bank drafts enter the US annually. Analysis of one Arizona bank's activity in clearing bank drafts on behalf of three Mexican banks revealed that the average value of the drafts was \$65,000, that it was not unusual to clear drafts in the \$200,000-\$400,000 range, and that 10 percent of the drafts were for amounts under \$10,000.

Casas de cambio (currency exchange houses) on both sides of the border are the primary non-bank financial institution used for money laundering in the US-Mexico border area. Investigation of exchange houses operating in Monterrey and on the border with McAllen Texas resulted in the prosecution of owners of several exchange houses as well as officers of banks in the US who were charged with laundering drug dollars for the Abrego organization. More than \$30 million was seized and forfeited. The primary legitimate function of the exchange house is to change US dollars to Mexican pesos (or the reverse) for tourists, businessmen and workers. However, casas de cambio generally provide numerous other financial services as well, such as selling money orders and cashier's checks, wiring transfers of funds, and making payments for customers who have accounts with them. Because Mexico's casas de cambio are virtually unregulated except in terms of capitalization requirements, they have proved fertile ground for laundering activity. Their criminal customers are afforded many bank-like services with little risk of detection or enforcement action. Casas de cambio launder money by accepting currency and then transferring it by wire to locations within or without Mexico, by depositing currency in a money exchange's US or Mexican bank account and then wire transferring it through a series of accounts controlled by the criminal customer, by serving as "brokers" to their criminal customers in purchasing real estate and other assets using illegal funds, and by issuing cashier's checks, personal checks, money orders, or other monetary instruments in exchange for currency. These instruments may be made payable to anyone or to the bearer as desired by the customer. Currency transaction records are either falsified or not even filed in this type of transaction.

Investments by money launderers include cement companies, assembly plants, motels, biotechnology companies, aviation companies and other enterprises, many jointly owned by Colombian and Mexican traffickers, each seeking to legitimize his wealth. The Munoz-Tavalera brothers owned restaurants, bars, meat shops, farms and homes worth an estimated US\$23 million in Juarez. The Attorney General's office estimates that US\$4 billion in drug money has been invested in the Monterrey area, which newspapers have called the money laundering capital of Mexico. Arturo Gallegos and several associates, who were arrested in August 1994, laundered money for the Cali-based Rodriguez-Orjuella trafficking group. One method was to secret drug proceeds in the front of tractor trailers loaded with toys, novelties and T-shirts for delivery in Mexico. In addition to the drug-related money laundering cases cited above, the US cooperated with Mexico on a bank fraud/money laundering case in which the Mexican government was defrauded of \$700 million.

However daunting the task, there has been some progress by Mexico on the enforcement front. Mexico, which is a party to the UN Convention, signed a mutual cooperation agreement with the US in October 1994 which provides for exchanges of financial information. Mexico revised its customs law to require declarations by persons entering Mexico of currency and checks in their possession valued at US\$10,000. Still, while Mexico has increased sanctions against money laundering through revisions in its tax code, the Mexican financial system remains vulnerable to both drug and non-drug related money laundering. Foreign and domestic currency movements are not monitored and any amount of deposited currency can be wire transferred to foreign or domestic banks.

Mexico's proposed revisions to its tax code are drawn from OAS model legislation but money laundering would remain a tax rather than criminal offense. US officials believe this is an inadequate base from which to attack the widespread money laundering, and have urged Mexico to criminalize money laundering from all serious crime, and to enact mandatory reporting requirements for cash deposits and wire transfers, at both banks and exchange houses.

To assist Mexico, a task force of US and Mexican officials has been established which will focus on formulation of new and more effective anti-money laundering legislation and investigative techniques.

## **SOUTH AMERICA**

**Argentina.** (Medium-High) Argentina is an increasingly important financial center in the Southern Hemisphere, which US officials believe has become a more important money laundering center, notably through non-bank financial transactions. Large sums of drug money are allegedly laundered through construction of office buildings, hotels, shopping malls, and condominiums in Buenos Aires. Illicit proceeds from drugs and other criminal activities are often commingled with proceeds from legitimate business interests, compounding the problems of detection. Argentina's increased importance as a money laundering center seems to parallel its increased importance as an intermediary location for drug deals between European criminal groups and Colombian cartels. Currency exchange houses offer unregulated banking services to prospective money launderers. Therefore, Argentina in 1995 is being upgraded one step in priority.

Argentine officials participating in the OAS/FATF seminars expressed determination to enact more effective anti-money laundering laws. Bankers are required by law to protect identities of depositors, unless ordered by a court seeking specific information; the bankers' association guidelines are voluntary and bankers are reportedly not certain about the limits on their cooperation with enforcement authorities, absent a court order. Banks allegedly do not observe the Central Bank requirement to report transactions of more than US\$100,000, nor are banks required to report suspicious transactions. Argentina has criminalized money laundering explicitly related to narcotics activity, which the activities above seem designed to circumvent. There have been no convictions for money laundering, but Federal Police seized \$225,000 in cash and 28 properties belonging to convicted money launderer Raul Silvio Vivas in late 1994. In October, the National Guard dismembered a link in a money laundering chain connected with Colombian Hugo Cuevas Gambo who allegedly handled financial matters for the Cali and Medellin cartels. The Argentine's Operation Chimborazo revealed money laundering by travel offices.

**Bolivia.** (Medium) The Bolivian financial system is not a significant factor in South American drug money laundering. With total bank deposits just over US\$2 billion, its economy and financial sector probably could not absorb truly large sums. But, Bolivia is a serious concern because money laundering, like corruption, contraband smuggling, and drug trafficking, is widespread, and there are few effective controls to prevent it. Money laundering is not illegal and bank secrecy provisions make it extremely difficult to obtain timely information about transactions. The Association of

Banks is spearheading an effort to get banks to agree on a code of ethics; the Association maintains that banks have a duty to report suspicious currency deposits. Perhaps the only prospect for remedial legislation, given that drug money laundering has not reached significant levels, is that the banking community wants to be considered a serious player in international financial circles and benefit from enlarged trade and capitalization programs.

**Brazil.** (Medium-High) Brazil's lack of control over its banks and exchange houses, and the substantial flow of dollars into and out of the country, were both confirmed by a report from the special investigations commission of the Secretary of Federal Administration which declared that US\$20 billion illegally gained from corruption, tax evasion, narcotics trafficking and other crimes left Brazil illegally over a four year period, was laundered through offshore banks, and returned to Brazil as "clean" money. Money changers are believed to transfer thousands of dollars a day to New York and other financial centers. The flow of drug dollars, which may be increasing, is believed by Brazilian authorities to stem from Colombian and Bolivian trafficker sales of large shipments, rather than from proceeds of drug sales in the US or Brazil. But, US officials believe bulk quantities of drug proceeds enter Brazil from the US and Europe. Money laundering, which is not illegal, occurs within the banking system but especially through exchange houses which are virtually unregulated. The exchange houses are primarily controlled by affluent people, who handle large sums of cash, travellers checks, cashier and personal checks on a daily basis. Many own travel agencies which are licensed to conduct transactions involving US currency and other monetary instruments. The underground lottery also is used to launder drug proceeds. Lottery managers launder their profits (10-15% per transaction) into casinos in Paraguay and then into the Paraguayan banking sector. The Uruguayan financial sector is also used as a depository for Brazilian drug trafficking proceeds. The use of exchange houses circumvents Brazil's requirement that bank report currency transactions of more than US\$10,000. However, the tax code provides the only basis for prosecuting money laundering, and bank secrecy laws inhibit investigations. The Central Bank in 1994 imposed a higher limit of US\$10,000 on the amount that could be taken out of the country without declaration, but there is no mechanism in place to oversee these declarations and recordings.

**Chile.** (Medium) Anti-money laundering legislation was enacted in September 1994 but remains under debate by the Constitutional Tribunal which is determining the constitutionality of the law. The new law would criminalize money laundering; authorize the State Defense Council to investigate and prosecute cases; require suspects to prove the legitimacy of assets they have acquired; and permit law enforcement authorities access to bank accounts of persons suspected of laundering drug money. Having such legislation, a priority with the Frei administration, would seem more imperative than in previous years. Chile's robust economy is apparently attracting drug dollars as well as legitimate investment; moreover, drug money is laundered not only in the banking system but also through the booming construction and fishing industries. Also, casas de cambio are reportedly laundering drug money from Peru, Colombia and Bolivia. The Superintendent of Banks, the Central Bank and the bankers association, however, have been reluctant to identify money laundering as a problem, and banking community opponents of the new law contend that lifting the veil of

bank secrecy is unconstitutional. Until this legislation is finally approved, money laundering is not a crime and strict bank secrecy laws prevail, which prevent the government from thoroughly investigating drug-related financial crimes. Alleged drug trafficker Mario Silva Leiva was arrested on tax evasion charges; the government could not charge him with money laundering in the absence of legal authority. Chile has ratified the 1988 UN Convention but cannot fully implement its provisions without the new legislation.

**Colombia.** (High) While cooperating with US agencies on some money laundering investigations, Colombia has not taken the types or levels of action commensurate with its place in the global money laundering spectrum, or with its status as a significant Latin American financial center. Country reports throughout this chapter reference schemes to launder money for Colombian cartels through foreign financial systems in every part of the world, and particularly in the Western Hemisphere, often for ultimate return to Colombia. Now, proceeds from the expanding trade in Colombian heroin are entering financial systems, along with cocaine money. While Colombia is an outspoken advocate of financial reform to combat money laundering, and has even drafted a notional Hemispheric convention, the fact is that Colombia is not in compliance with the 1988 UN Convention and indeed has taken reservations on key sections of the Convention dealing with extradition and international cooperation on crimes like money laundering, drug trafficking, etc. Moreover, the Samper Administration faces strong challenges to its effort to pass effective laws needed to comply with the 1988 UN Convention. It has failed to muster the votes needed to pass an anti-corruption law, introduced last November, which would also criminalize money laundering (notably, given the use of contraband smuggling to launder drug proceeds, the bill would criminalize all money laundering, not just drug-related crimes). At the same time, the government had to defeat an effort in its Congress to repeal the illicit enrichment statute and the law barring use of "front persons" to conceal assets, and Congressional opponents of the corruption bill threaten to propose amendments which would weaken the bill. The government now says it will pass the corruption bill in March after Congress reconvenes. But, even if this bill becomes law, there are substantial questions about enforcement. The US and Colombia have concluded a Treasury agreement on exchanges of financial data but this has not been utilized. Colombia continues to hold that its nationals should not be extradited to the US for trial.

There is a substantial question whether Colombia has the resource capability, as well as the political will, to contain the money laundering activity in its banks and exchange houses, and to curb the financial and political power of the cartels by seizing and forfeiting their assets. A current law requiring banks to maintain records on cash transactions (US\$10,000) reportedly has been rendered ineffective by bribery, threats and intimidation by traffickers. Regulations requiring casas de cambio to identify individuals conducting significant transactions (US\$7,000) were suspended because the government reportedly lacked the enforcement capability. There is a substantial question as to the degree to which the drug trade has contributed to the expansion of the Colombian economy, particularly after liberalization. While US and Colombian authorities may disagree on the amounts, numerous investigations in the US and abroad confirm that substantial sums of drug proceeds are returned to Colombia every day.

Ecuador. (Medium-High) Ecuador continues to be a significant money laundering center, largely because of its proximity to Colombia and the close economic and social ties between the two countries. Most money laundering activity involves cocaine proceeds, which are owned by Colombians, but the anticipation is that, as heroin production increases in Colombia, these proceeds will be directed toward Ecuador also. Ecuador has signed an agreement to share currency transaction information with the US but the agreement has not been tested. Instructions to banks on recordkeeping were issued by the Superintendent of Banks in late 1994. The National Drug Council expects to issue instructions in early 1995, requiring all financial institutions to keep records and file reports on all individuals conducting large transactions. The data, which will be processed through a computer system provided by INM, will permit analysis of such transactions which should benefit enforcement agencies. The Council also plans to issue instructions requiring declarations of negotiable monetary instruments by persons entering or leaving Ecuador. Following a US-assisted seminar in 1994, the Association of Private Banks drafted a manual on banking procedures to prevent money laundering. While money laundering is illegal, there have been no convictions for this offense. However, Ecuador has charged Jorge Hugo Reyes Torres (JRT) with money laundering, and has cooperated with the US on this investigation. In 1994, the US shared \$330,000 with Ecuador, as a share of JRT assets which were forfeited to the US. The US anticipates that, in 1995, it will share a portion of \$11.5 million in JRT assets transferred by the Swiss government to the US, which have been forfeited.

Paraguay. (Medium-High) Historically a haven for smuggling, Paraguay, with its liberal banking and foreign investment laws, stable financial infrastructure, and weak anti-money laundering laws, has attracted proceeds from the sale of drug and other contraband which are laundered through banking and non-banking systems (exchange houses). Narcotics money laundering involves significant amounts of US currency resulting from the sale of Colombian-owned drugs. The proceeds of domestic cocaine and marijuana sales are primarily owned by Paraguayan and Brazilian drug trafficking organizations. Laundering of drug proceeds is believed to be increasing and well hidden as a result of commingling with other illicit funds flowing through the financial system. A bill was introduced on July 5, 1994 which would criminalize money laundering. Currently, there are no controls on currency flows and, while banks are required to report all transactions over US\$10,000, the requirement is not well enforced. There is no requirement to report suspicious transactions, and banks are not protected against breaches of bank secrecy if they cooperate with police. Paraguay has asset forfeiture laws, but these are carried out on an ad hoc basis and the law does not reach legitimate businesses which may have been purchased with illicit proceeds.

Peru. (Medium) Notwithstanding its leading role in coca production, Peru is neither a major financial center nor a major money laundering country. Drug money laundering occurs, but on two distinct tiers. A significant share of money laundering occurs in rural areas. This activity is difficult to control because traffickers, usually Colombians, pay Peruvian farmers for their coca, generally in dollars carried in on the same planes which ferry the coca leaf out. The farmers spend some money on continuing cultivation of coca,

but mostly on personal items. Thus, most of these dollars enter the legal financial system through grocery and hardware stores, bars and other small commercial enterprises. Money laundering also occurs in the formal banking system and through exchange houses; these dollars are controlled by the major drug trafficking groups in Peru. There is little or no money laundering from other sources, and the government of Peru took the position at the Summit of the Americas that hemispheric governments should restrict their efforts to drug-related money laundering, rather than attempt to contain all forms of money laundering.

**Suriname.** (Low). Tough banking controls and a weak economy limit the attractiveness of Suriname to money launderers.

**Uruguay.** (Medium-High) Money laundering is still not a criminal offense in Uruguay. There are no controls on the amount of currency or gold entering or leaving Uruguay, despite widely-held beliefs that Uruguay has become an important transfer center for drug funds. The government has not adopted an effective asset forfeiture regime, and its effort to adopt the OAS model regulations failed. The central bank does not effectively monitor exchange houses, which are popularly believed to be the initial point of entry for drug cash placed into the Uruguayan financial system. Banks are required to keep records on significant transactions and, usually after some delay, do provide information to enforcement authorities. But, the banking community is said to be opposed to additional regulations, such as the mandatory reporting of suspicious transactions.

**Venezuela.** (High) Venezuela has been a significant center for money laundering since 1992, but much needed anti-money laundering legislation has been stalled in the legislature since 1993. The Caballero case confirmed that large scale money laundering operations occur in Venezuela. Moreover, Venezuelans are believed to be buying financial institutions in Colombia on behalf of drug traffickers. A Venezuelan senator, Cristobal Fernandez, who heads the investigative committee on money laundering, accused four major Venezuelan banks of money laundering in May 1994; he estimated total drug profits laundered through Venezuela at US\$25 billion. In the Caballero case, National Guard units conducted raids in late 1993 against currency exchange houses and other businesses belonging to alleged money launderer Sinfonso Caballero. More than 100 people were arrested, but a corrupt judge overturned the indictments. The Venezuelan Supreme Court in 1994 overturned the judge's decision, reopening the case, but Caballero has not been arrested. That investigation revealed bulk shipments of drug cash from the US, through Colombia, for deposit into Venezuelan casas de cambio, where the dollars were converted into Colombian pesos and Venezuelan bolivares. To avoid the Colombian tariff on US dollars, the local currencies were then transferred to Colombia for deposits into banks.

#### **CENTRAL AMERICA**

**Belize.** (Medium) While there is no evidence of significant money laundering through Belize, the potential remains unabated, and the flow of US dollars from Belize to correspondent banks continues to increase. Money laundering

is not a crime, nor are there laws regulating currency movements. Offshore investments are loosely regulated and the law allows unrestricted use of bearer-negotiable instruments. The Bank of Belize has now licensed more than 1,000 companies under the International Business Companies Act, with minimal controls on their formation and operation.

**Costa Rica.** (Medium-High) Drug money laundering continues unabated in Costa Rica, where the banks serve as repositories for drug proceeds and conduits for drug money destined elsewhere. A recent investigation exposed one operation which laundered more than US\$180 million in a year for the Cali cartel. US investigations have linked front companies (e.g., travel agencies) in Costa Rica to Colombian cartels, and Colombian traffickers have invested drug proceeds in real estate and construction of hotels in Costa Rica. Shell companies are also used. Also, Italian organized crime groups are believed to be making inroads in Costa Rica, and have allegedly used shipping firms as front companies for money laundering. Costa Rican law enforcement agencies cooperated with US agencies in an October 18, 1994 raid on wire transmittal houses and associated residences in Costa Rica which were part of the Hugo Cuevas Gamboa money laundering organization, laundering as much as US\$200 million. In February, GOOCR officials cooperated in an investigation of the Cedelsa/Lombard credit corporation, an exchange house which allegedly laundered US\$400,000-750,000 daily. Although Costa Rica mandates banks to file cash transaction reports, some banks are believed to be accepting large sums of US and Costa Rican currency from money launderers but not filing the reports. After a two-year legal struggle, Costa Rica finally agreed in May 1994 to extradite two Colombian money launderers to the US; they had been identified through DEA's Operation Green Ice in 1992.

**Guatemala.** (Medium) Money laundering is not currently a significant problem, but the potential is high and could increase as Guatemala liberalizes its economy. Bank secrecy is very tight, bank oversight is weak, and money laundering is not illegal. While there are no estimates of money laundering volume, one financial exchange house was temporarily closed as a result of an investigation into the Colombian-based Hugo Cuevas Gamboa money laundering organization.

**Honduras.** (Low) Honduras is not an important financial center, offshore tax haven, or significant money laundering center, although ongoing US investigations indicate that money exchange services are being used to launder drug proceeds. Money laundering is not a criminal offense. Draft anti-money laundering legislation is bogged down in a delayed general overhaul of the country's banking laws for reasons unrelated to narcotics or money laundering.

**Nicaragua.** (No priority) Nicaragua is not considered an important regional financial center, tax haven, or significant money laundering center. In October 1994, Nicaragua cooperated with a hemisphere-wide operation against Cali cartel money laundering activities. While no arrests were made in a raid conducted on a Colombian owned, Managua based exchange house, information linking the enterprise to the cartel was obtained. New narcotics legislation stipulates that banks must report any deposit over \$10,000 to an interagency banking Commission, but the Commission has not yet been formed. The new legislation permits the seizure of any assets used in the commission of a narcotics related crime and establishes how the asset sales proceeds are divided among the involved government ministries. To date, no goods have been seized.

**Panama.** (High) In November 1994, President Perez Balladares announced a new anti-money laundering policy for Panama, crafted by a blue-ribbon panel of bankers, executives and officials, which draws heavily upon the 40 FATF recommendations. The new policy capped a year of significant decisions by both the executive and legislative branches, admittedly motivated, as is the banking community, by findings that the integrity of the Panamanian financial system is in question in US and European banking circles. The legislation approved by the legislature in July, which increased penalties for money laundering while giving investigators more authority, and decrees issued by the Endara Administration in March 1994, requiring declarations of cross-border currency movements, are limited to drug-related money laundering. The government of Perez Balladares maintained this drug-related approach to money laundering, both in the new policy decree on money laundering and in a September decree imposing a know-your-customer requirement on attorneys dealing with or incorporating companies (a number of companies such as import/export firms serve as fronts for money laundering). The US has advised that it thinks the Panamanian approach is too narrow, particularly given the contraband smuggling through the Colon Free Zone (CFZ), which generates substantial illicit proceeds. Smuggling revenues are often commingled with drug proceeds, compounding the burden of proof on the government in trying to establish a drug connection. The US believes that, notwithstanding the progress on laws and regulations, enforcement should be intensified, given Panama's status as one of the major regional narcotics money laundering centers, serving as a link to money transfers by Colombian traffickers to Europe, Asia, the Caribbean and US. The US has pledged training and technical assistance to help Panama attain a more aggressive plan of enforcement.

Money laundering in Panama has become quite diversified. In addition to cash transactions through banks and contraband smuggling, money launderers are investing drug and other dollars in legitimate businesses. The CFZ is becoming a money laundering center in its own right; presigned and prestamped blank invoices made out to fictitious companies are becoming common, as are fraudulent invoices over/under representing goods shipped, both methods designed to cover money transfers. In addition to cash deposits into CFZ businesses, traffickers and smugglers are making large deposits of third-party checks drawn on US banks, where cash deposits have accumulated through structuring techniques. Many of these checks have been transported from Colombia to Panama, and are intended to give a legitimate "cover" to transactions. Also becoming quite popular are Mexican bank drafts, issued by banks in Mexico against their own dollar accounts in US banks, a reflection in part of the substantial movement of drug cash in bulk to Mexico.

The following examples illustrate the diversity of money laundering schemes involving Panama. In January, 1994, a Panamanian-based front company involved in fraudulent purchases of gold came under scrutiny after its Italian affiliate was raided on suspicion of money laundering, which resulted in the seizure of six bank accounts containing US\$2 million. The three Italian principals of the Panamanian company were arrested. Millions of dollars had been paid to the Panamanian company for alleged gold purchases. In a second example, a major Colombian money launderer reportedly used a Panamanian lawyer and shell company to create a trafficking/money

laundering link to Nigeria. Another money launderer allegedly working for Mafia-connected heroin traffickers allegedly uses casinos, gold and oil interests in various parts of the world and Panamanian shell companies to launder drug proceeds. Another investigation discovered two Panamanian money launderers and a Colombian were transporting bulk US currency from Miami to Panama in containerized cargo; they reportedly attempted to buy a company in Panama for cash to ship containers through the CFZ.

## THE CARIBBEAN

### Caribbean Regional Summary

The Caribbean has long been regarded as a haven for money laundering, which developed in parallel to the expansion of drug trafficking through the region. The decline of traditional one-crop economies and the rapid development of offshore financial services have enhanced the attractiveness of the region to money launderers. Large cash transactions have apparently declined in several areas, but cash still moves and several banking systems have been exploited by sophisticated schemes involving wire transfers, shell corporations and other devices. In 1990, Caribbean states and territories (26 members by 1994) created the Caribbean Financial Action Task Force, under the sponsorship of the Paris-based FATF. In 1994, a CFATF Secretariat was established in Trinidad and Tobago to promote anti-money laundering measures and serve as a coordinator for training and focal point for donor assistance. At its most recent meeting, a number of CFATF members reported slow but steady progress in adopting FATF/CFATF recommendations.

The heads of government of the regional organization, CARICOM, and Commonwealth Ministers have issued strong statements calling for enhanced efforts to counter money laundering.

Some money laundering takes place in the French Caribbean, and drug proceeds may enter the French banking system through Caribbean bank branches. St. Martin in particular is considered a site for money laundering, primarily through its casinos and offshore banking facilities, as well as through its easy access to the relatively less-controlled Dutch half of the island.

**Caribbean Dependent Territories of the UK.** (Mixed Priorities) In 1994, legislation was completed enabling the Dependent Territories (Cayman Islands, Turks and Caicos, British Virgin Islands, Montserrat and Anguilla) to comply with the requirements of the 1988 UN Convention, and the UK extended the Convention to the Territories and Bermuda on February 8, 1995. There is no new information to report on **Montserrat**, or **Turks and Caicos Islands**. While some money laundering occurs in the **British Virgin Islands**, UK officials who recently visited Tortola believe the volume is low. There are 130,000 International Business Companies licensed in the BVI; there have been inquiries about less than 200 since the British reporting requirements went into effect.

**Anguilla.** (Low) Operation Dinero (see text) used a bank in Anguilla created for the purposes of the US/UK investigation, the first occasion in which such a sensitive investigative probe was used. The operation revealed links to Italy, Spain and Canada. More than US\$90 million in currency and property were seized, with almost 9 tons of cocaine; 116 persons were arrested.

Antigua and Barbuda. (Medium) The priority for Antigua and Barbuda is being raised to Medium. Antigua has experienced numerous instances of money laundering, following the rapid development of a financial services/offshore banking industry which in practice is unregulated. The number of offshore banks has doubled to 25, amidst rumors of investments in the banking industry by Russian nationals whose funds are of unknown origin. There are also reports of a presence by Russian as well as US mafia members on Antigua. In 1994, an individual attempting to launder \$23 million through a "paper bank" was successfully prosecuted in the US. The potential for further abuses exists. The Proceeds of Crime Act covers funds earned or received through money laundering; no money laundering cases were successfully prosecuted in 1994. The USG is continuing to pursue designation under the mutual legal assistance treaty through Antigua's Attorney General's office.

Aruba. (High) Aruba was upgraded to Medium-High priority in 1994, but the legislation anticipated a year ago has not been enacted, and the loopholes and deficiencies in both law and regulation which permit money laundering to flourish continue to its detriment. While Aruban police continue to cooperate with US authorities on investigation, the money laundering situation is seemingly more serious than a year ago. Thus, for 1995, Aruba is upgraded to High Priority.

There are continuing discussions between the governments of the Netherlands and Aruba (and the Netherlands Antilles) and also between the US and the Netherlands on corrective measures. Aruba has criminalized money laundering in both narcotic and non-drug related cases. Banks have agreed to record identities of persons engaged in currency transactions of more than US\$10,000. However, the requirements to record identities of transactors and beneficial owners only applies to non-clients, and there is no requirement to report suspicious transactions. At present, it is not uncommon for persons to enter Aruba (and the other islands) carrying hundreds of thousands of dollars without being questioned by local authorities.

Until effective legislation has been adopted and enforced, Aruba cannot be said to be in compliance with the 1988 UN Convention; it is a signatory as part of the Kingdom of the Netherlands. In that same capacity, Aruba is scheduled to be evaluated in early 1995 by the Financial Action Task Force. Attorney General Jan Zwinkels has been quoted as saying money laundering is a growing problem for Aruba, which he relates to Aruba's lack of resources to provide law enforcement with the ability to monitor the financial industry.

Money laundering organizations, including non-Arubans, continue to utilize the offshore banking facilities, the free zone, and casinos to transfer and launder drug and other proceeds. A network of ethnic Chinese money launderers based in New York is allegedly operating in Aruba through front companies, e.g., Chinese-owned factories. This group also is believed to launder drug proceeds from Europe and North America through investment houses and funeral homes in England, and offshore investment companies in Aruba. Bulk shipments of drug proceeds destined for prominent Aruban individuals are allegedly flown to Aruba by way of Miami; bulk shipments also arrive in Aruba via cruise ships, commercial airlines, and fishing vessels.

Alleged drug trafficker Randolph Habibe was indicted in December, but other Aruban families with alleged connections to banks in Venezuela and cocaine cartels in Colombia, who are suspected of both drug trafficking and money laundering, have not been charged. Habibe is charged as being part of the La Costa cartel which allegedly engaged in drug trafficking, money laundering, and chemical smuggling; Habibe was allegedly the chief money launderer for this group, which allegedly generated and laundered more than US\$800 million in drug proceeds.

**The Bahamas.** (Medium) The priority ranking has been reduced from Medium-High to Medium, on the basis that Bahamian banks continue to be effective in applying a "know your customer" policy and the US agrees with Bahamian officials that cash money laundering has diminished. Current GCOB laws are not adequate to control sophisticated money laundering techniques, and US officials believe that drug and other money continues to move through the Bahamas through shell corporations, casinos, and wire transfer services. However, Bahamian officials indicate that the proposed anti-money laundering legislation will effectively criminalize money laundering. The draft bill also would strengthen the obligation of financial institutions to report suspicious transactions and establish a mandatory "know your customer" requirement. Currently, compliance is voluntary, and the volume of suspicious transaction reports are quite low for a financial system the size of the Bahamian system. An assessment of the GCOB's effective use of the new law will be heavily dependent upon regulations which have not been published, e.g., to impose a system for reporting suspicious transactions and to improve asset forfeiture capabilities which are sorely in need of strengthening. The International Business Companies Act of 1990 offers companies exemption from taxes, exchange controls and stamp duties. International Business Companies (IBCs) can be incorporated within 24 hours for a minimal fee. No drug-related money laundering investigations involving the more than 30,000 Bahamian IBCs, offshore banks, shell corporations or other financial entities were initiated by the GCOB in 1994. The ease with which off-the-shelf companies can be bought in the Bahamas undoubtedly attracts criminal organizations looking for methods to conceal illicit profits (who exploit similar vulnerabilities elsewhere in the Caribbean). The Bahamas is an active member of the CFATF and has volunteered to be examined by CFATF experts during 1995.

**Barbados.** (Low) The offshore financial services industry continues to develop in Barbados, with particular prominence given to companies based in Canada. Barbados is determined to develop a legitimate industry by keeping the sector under relatively close surveillance and by regulating limited "tax haven" privileges. The belief is that enforcement of strong offshore banking laws will provide a defense against money laundering, e.g., strict controls on the amount of money which can be converted into foreign exchange and taken out of the country. Banks are expected to report (voluntarily) large and unusual transactions. The potential for money laundering will increase, however, as the sector becomes liberalized.

**Cayman Islands.** (High) The Cayman Islands, one of the largest offshore financial service centers in the world, is the primary British territory in the Caribbean in which money laundering is a significant threat. Confidentiality legislation, the immense size of the offshore financial community, and easy formation of shell companies continue to make the

Caymans attractive to money launderers, especially those processing the proceeds of the US drug trade. There are an estimated 26,000 banks and trading companies in the Cayman Islands, with deposits in excess of \$400 billion -- or about \$15 million for each of the 26,000 residents. The government has a very limited capability to monitor its huge offshore sector (which includes all but about 60 of the several thousand banks). The Cayman Islands has adopted/implemented, in association with the UK, the European Union anti-money laundering policy, including criminalization of money laundering and reporting of suspicious transactions. The government, which is deemed to have met the standards of the 1988 UN Convention in terms of laws in place, recently amended its legislation to better enable bank regulators to exchange information with other governments' regulators, and has enhanced the capacity of the police to investigate money laundering and commercial crime. The CI has also increased regulation in the insurance sector and of mutual funds. The Cayman Islands volunteered to be the first of the members of the Caribbean Financial Action Task Force to be examined by outside experts; the evaluation was conducted in January 1995. The government, which believes that much of the money laundering affecting the Caymans originates in the US banking system, cooperates closely with US authorities and has received US\$1.5 million in assets shared from cooperative investigations.

**Cuba.** (Low-Medium) A consideration of changes in Cuba warrant a move upward from Low, with an anticipation that Cuba will move even higher in months to come. Cuba is acquiring some of the same financial characteristics which attracted money launderers to Panama. US dollar transactions are now legal and the trend is toward a dollar-based economy. Cuba does not currently have a business-friendly tax and legal system, there are indications this too will change in order to attract foreign investment. The expectation is that Cuba, to compete with its neighbors, will permit creation of shell companies and protected bank accounts. Cuba does not at present have a well-developed financial infrastructure but money laundering is flourishing in former Communist states which also lack developed sectors. Not only is Cuba only 90 miles from Florida, but daily flights from Havana to Bogota, Colombia were reestablished in 1994.

**Dominica.** (No Priority) Money laundering is believed to be minimal, due in part to the undeveloped financial sector. However, some US-based criminal elements have developed interests on the island, and US law enforcement agencies have discovered "paper banks" operating. There may be some laundering of drug proceeds by domestic trafficker groups. Dominica has ratified the 1988 UN Convention, criminalized money laundering, put controls on the export of money, and required banks to report unusual foreign exchange transactions.

**Dominican Republic.** (Low-Medium) The priority ranking is being moved up from Low to Low-Medium, based on reports that the Dominican Republic is a significant drug money transit route (although not an important financial center). There is concern that exchange houses are laundering drug proceeds by commingling them with legitimate funds. The bundles of cash are then flown to San Juan or Miami, and declared as licit proceeds from the exchanges. GODR officials have worked closely with USG personnel to intercept these transfers. However, GODR financial investigation units currently lack the legal basis to enforce those few laws that exist.

A proposed money laundering law would provide the GODR some means to counter illegal efforts to launder money. It was not acted upon in the last session of Congress and will be resubmitted in 1995.

**Grenada.** (No Priority) There is no evidence of significant money laundering, a reflection of the limited development of the financial services industry.

**Haiti.** (Low) US enforcement agencies cannot confirm media reports of money laundering. Haiti does not have currency control or anti-money laundering laws. In February 1994, Haitian authorities seized approximately US\$104,000, the largest single drug money seizure. It is not a party to the UN Convention.

**Jamaica.** (Low) The lack of comprehensive money laundering laws makes Jamaica susceptible to money laundering. While there is insufficient money laundering activity in Jamaica to justify a priority effort to pass a money laundering bill, introduction of a bill in early 1995 is expected. An asset forfeiture law passed August 1994 which included provisions for forfeiture orders (against tainted property) or pecuniary penalty orders (against convicted persons), but specific mechanisms for the new law's implementation are unknown. There is also provision for restraint orders to prevent the liquidation of assets of convicted persons. The US has ratified a mutual legal assistance treaty with Jamaica, however, Jamaica has not yet ratified it. Legislation enabling Jamaica to comply with the treaty is expected in 1995. It is expected that Jamaica will ratify the treaty shortly thereafter.

**Netherlands Antilles.** (Medium-High) Like Aruba, the Netherlands Antilles is an important link in the transshipment of cocaine from South America to the US and Europe, and, like Aruba, the Netherlands Antilles, and especially Curacao, are increasingly active and important money laundering centers. The 1994 report of the International Narcotics Control Board calls attention to the increased prominence of these islands as links to narcotics trafficking. The expectation is that the money laundering situation has been similarly intensified. The priority for the Netherlands Antilles is therefore raised from Medium to Medium-High, close on the heels of Aruba. A joint action with the US and Dutch authorities documented money laundering in Curacao, St. Maarten and Bonaire, which involved organized crime groups from the US, Colombia, and Italy. Money launderers use the offshore banking sector, free zones, and casinos to transfer and launder drug proceeds. The government has joined with Aruba and the Hague in cooperative actions against money laundering. New laws and regulations requiring the reporting of unusual transactions, drawing on the Dutch model, are expected to be in place by mid-1995.

**Puerto Rico.** (Low) Puerto Rico is increasingly being used as a conduit for drug money entering the United States from the Dominican Republic. In 1994, \$400 million entered the US in this manner. Twenty three seizures of cash and financial instruments valued at over \$3 million were made from airline passengers arriving in San Juan, who claim to have been provided the currency from exchange houses in the Dominican Republic. A heroin trafficking organization bought millions of dollars worth of heavy industrial equipment in the United States and shipped the equipment to vehicle and construction related businesses in Puerto Rico. Those purchases, ranging in amounts from \$10,000 to \$180,000, were made in denominations of 5, 10, 20 and 50 dollars.

**St. Kitts and Nevis.** (Low) The increase in drug trafficking through St. Kitts and increased efforts by traffickers to penetrate the society has put this mini-state at greater risk for money laundering. There are active money laundering operations in St. Kitts, but the volume is low.

**St. Lucia.** (Low) Under the Proceeds of Crime Act, money laundering is illegal and there are controls on exports of money. Officials are adamant about protecting their banking system, and therefore enforce offshore banking laws, although some money laundering continues. In 1994, a US court convicted a national of a third country for attempting to launder several million dollars through a "paper bank." The government of St. Lucia was very cooperative with US enforcement officials on the case.

**St. Vincent and the Grenadines.** (Medium) Financial institutions and other businesses in St. Vincent are suspected of increased but low-level involvement in laundering domestic and foreign funds generated by drug trafficking and other crimes. Foreign criminal organizations, including at least one major organized crime group, are believed to be engaged in significant financial operations, including money laundering. Overall volume is probably limited by the relatively small size of the financial services industry. However, the situation could change and bears watching. The number of offshore banks is increasing, encouraged by liberal policies of the government. Moreover, money launderers are believed to employ other sectors, including major construction projects, to launder their funds. The priority is being upgraded to Medium. US concerns could heighten, depending on the effects of a liberalization of exchange controls recently announced by the government -- which will permit even greater use of the dollar. Although its laws are considered strong, and in accord with the 1988 UN Convention, St. Vincent has not yet brought charges of money laundering against anyone.

**Trinidad and Tobago.** (Low-Medium) The islands are attempting to become a more important regional financial center, but are not significant from a money laundering perspective. Money laundering does occur, in both the bank and non-bank systems; the proceeds generated by marijuana and cocaine trafficking are believed to be primarily owned by local criminal groups. The Caribbean FATF maintains its headquarters in Port of Spain, and Trinidad has agreed to be evaluated by outside experts on its money laundering controls.

**Turks & Caicos.** (No priority) The government is continuing to pursue policies to transform the country into an offshore banking center, which would increase the potential for money laundering. Currently, there is concern about the use of shell companies to launder drug proceeds.

**Virgin Islands.** (No priority) While the U.S. Virgin Islands along with Puerto Rico, have been designated the first High Intensity Drug Trafficking Area outside of the continental United States, the Virgin Islands do not appear to have become a significant drug money laundering center.

## WESTERN EUROPE

Andorra. (Low) Although not a major financial center or money laundering haven, Andorra has enacted strong laws. Any act designed to conceal the origin of money or other assets derived from drug trafficking, prostitution, or terrorism, by a person who is aware or should have been aware of that origin, and any subsequent lawful use of such money or other assets by such a person, is punishable by imprisonment and fine. Andorran officials continue to be concerned about Colombian traffickers and money launderers using their system and have promised to cooperate with the US.

Austria. (Medium) Having enacted comprehensive anti-money laundering laws which became effective in January 1994, Austria engaged in enforcement activities against both drug and non-drug related money laundering. During January through November of 1994, Austrian banks reported 280 suspicious transactions involving a total of US\$200 million. The Interior Ministry's special force for organized crime found evidence of possible money laundering in transactions totalling US\$42 million. In June, Austrian authorities arrested a Brazilian in a non-drug money laundering investigation who allegedly laundered money for a US-based investment fraud ring. The defendant's suitcase contained 52 million schillings (US\$4.7 million) and bank books totalling 81 million schillings. A proposed law will permit Austria to enforce foreign forfeiture orders.

Belgium. (Medium) Belgium established a special unit within the Ministry of Finance in 1993 to track suspicious transaction reports; in the ten months from December 1993 to September 1994, the unit received 1,033 notifications, of which 81, with a value of US\$272 million, were referred to prosecutors. The majority of these cases involved exchange houses in Antwerp and Brussels being used by non-Belgians (primarily Dutch) to convert currency. Most conversions involved British pounds sterling and Spanish pesetas (from the drug trade in those countries) exchanged for Dutch guilders which were destined for the Netherlands. The special unit successfully identified a terrorist-linked transfer of US\$100 million from the Central Bank of Kazakhstan to a Zairian company, via Belgian banks. The limitation on the unit's effectiveness is that Belgian law, like some other European and other jurisdictions, limits money laundering investigations to a narrow list of predicate offenses: drug trafficking, terrorism, and prostitution. As the government puts pressure on the exchange houses, many of which are operated by criminal organizations, there is evidence of criminals diversifying into cash intensive sectors such as jewelry stores, restaurants and hotels. Belgium has asset forfeiture legislation that applies to criminal offenses including money laundering, but does not have a system of sharing the assets with other foreign governments.

Denmark. (Medium) Denmark, which moved into substantial compliance with EU, FATF and UN Convention requirements with its 1993 legislation, is a major financial center but there is little evidence of significant money laundering. The money laundering detected by authorities is not limited to drug funds. Between July 1, 1993 and October 6, 1994, 284 reports from the financial sector dealing with money laundering were received. Those reports indicate that money laundering is transboundary. In 75 percent of the reports, foreign persons or corporations were involved.

**Finland.** (Low) In May 1994, the Parliament ratified the 1988 UN Convention. Finnish legislation criminalized money laundering to comply with the Convention. While officials believe that little money laundering actually occurs, they also required in 1994 that banks and other financial institutions report cases of suspected money laundering to the National Bureau of Investigation. Seventy-five reports were filed in 1994.

**France.** (Medium) The French National Assembly is expected to adopt a new law in 1995 which will criminalize money laundering from virtually every criminal offense; current law applies only to narcotics offenses. The asset seizure law is considered one of the strongest in Western Europe and the pending legislation will expand the authority to seize, forfeit and share assets.

France continues to conduct limited undercover work by French police on money laundering cases and cooperates closely with USG and other investigators. France participated in Operation Primero (the French side was dubbed Operation Marguerita) and resulted in 61 arrests and numerous seizures of bank accounts. This operation was the first long-term undercover investigation under the new French law. US-French cooperation has improved since France recently signed an agreement between TRACFIN, its financial intelligence unit, and FinCEN. TRACFIN reported that there has been a trend toward the increased use of bureaux de change at the retail level in money laundering schemes. There has been a proliferation of small, specialized offices that cater to particular ethnic communities resident in France. TRACFIN's assessment is that narcotics traffickers may have established their own network of bureaux de change for money laundering purposes.

**Germany.** (High) A major international financial center whose officials recognize that money laundering occurs within its system, Germany demonstrated in 1994 its intention to enforce the strict money laundering laws enacted the year before. In June 1994, a money laundering and drug task force concluded a one year investigation of a family which operated in Munich and Istanbul which resulted in successful investigations in Germany, Turkey, Spain and Italy. The system used the family's money transfer businesses in those cities to process 50 million deutsch marks in suspected drug money. Also, through related surveillance of money couriers, Germany cooperated in international investigations which led to the arrests of heroin dealers in Italy, Spain, Romania, Hungary and Germany. In November, German authorities arrested money launderer Thomas Peter who, with his associate Juan Ocampo, is accused of receiving large sums of drug money from the US and Europe on behalf of Colombian traffickers. Through their front company, Guardian GMBH, they laundered millions of dollars, sending the money back to Colombia. Peter is associated with defendants arrested in New York as part of a DEA/FBI money laundering investigation. The case against Peter is considered a test case for the German money laundering legislation. Also in 1994, Germany enacted legislation that allows the enforcement of criminal forfeiture orders for which appellate remedies have been exhausted; the law applies to drug and non-drug offenses -- but the law does not provide for the prior restraint of assets pending a final forfeiture order.

**Gibraltar.** (Medium) Gibraltar continues to encourage development of its banking sector, and US officials believe its offshore banking, protected by strict bank secrecy laws, probably attract drug money. Companies in Gibraltar, which has no exchange controls or tax treaties and offers tax-free status to companies which do all of their business outside the area, are assured of complete confidentiality.

**Greece.** (Medium) At year's end, Greece advised on the drafting of additional anti-money laundering measures, to complement the 1993 acts which criminalized drug and non-drug money laundering; established proof of identity requirements for significant transactions; and enacted an asset forfeiture regimen. The new legislation, which could be enacted in 1995, would create various enforcement mechanisms including a central registry for suspicious transaction reports and authority for police to receive records through court orders. However, other actions to liberalize Greece's financial markets, especially the lifting of foreign exchange controls, may have made the country more vulnerable to money laundering. The government is expected to grant seven new private casino licenses in 1995, doubling the number of casinos. There also are questions about the effectiveness of current laws and the compliance of banks with the reporting requirements. While Greece is nevertheless not currently considered a major financial or money laundering center, it not only has the potential to achieve the latter status, but the government has taken other steps which may be drawing illicit proceeds to Greece. Purchasers of government debt issues are assured of tax free income, and unrestricted conversion of government securities denominated in drachmas into other currencies, if originally purchased with foreign exchange, and, if paid for in cash, no identity requirements. The sale of Greek Treasury obligations now amounts to about US\$22.5 billion, or one quarter of Greece's GDP. Not least, there appears to be weak support for money laundering enforcement among Greece's banking community.

**Iceland.** (No Priority) In 1994 the Government implemented new anti-money laundering laws and identified a money laundering case for the first time. The case is currently under investigation. Iceland has not ratified the 1988 UN Convention.

**Ireland** (Low) In November 1994, Ireland passed The 1994 Criminal Justice Act which brings Ireland into compliance with the 1988 Vienna Convention and the 1990 Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds of crime. Ireland is not considered an important financial center, however there is continued concern about an increase in drug money laundering activities. In 1994, the Irish National Police sought assistance from US law enforcement (DEA) regarding the offering of loans at unusually low interest rates which may be an attempt to launder drug proceeds.

**Italy.** (High) A requirement that all transactions over 20 million lire (US\$12,500) must be made in traceable instruments, and a new computerized recordkeeping for analyzing the mandatory records submitted by banks and other financial institutions, seem to be having a deterrent effect on money laundering. Financial institutions also are required to identify the person making the transaction and the ultimate beneficiary, using taxpayer identification numbers. These laws are believed to have sparked the creation of more than 30,000 small "finance" companies which can transfer funds to other financial centers.

Italy continues to be cooperative with US enforcement agencies, and took part in Operations Primero and Dinero. (See previous.) In addition to these operations, which targetted the Cali cocaine cartel and led to a seizure action against an Italian bank whose holdings total US\$37 million, the Italian State Police cooperated with US officials in seizing gold and bank accounts related to the Aurea Trading Company in Italy and the Universal Gold Company in Panama. Gold is Italy's second largest industry after tourism and gold purchases are an effective way to integrate drug and other proceeds into the financial system. The anti-money laundering law adopted in 1992 became fully in force in 1994. Italy is considered to be fully in compliance with both EU and FATF recommendations.

**Liechtenstein.** (Medium-High) As reported to the Offshore Group of Banking Supervisors, the government has criminalized money laundering, enacted an asset forfeiture statute, and issued instructions to banks on mandatory recordkeeping. At year's end, additional legislation was being considered.

**Luxembourg.** (Medium-High) Asset forfeiture remained the focal point of bilateral relations with the US on money laundering. Luxembourg, which was the first EU country to prosecute a money laundering offense, conducted its first asset forfeiture in 1994. Virtually all of the funds identified in money laundering cases to date have involved funds which entered the international financial system in another country (the US, Panama and the Caribbean are frequent sources) and were transferred. Thus, the US has an interest in much of the drug money that Luxembourg has frozen under its own or US court orders. In 1994, Luxembourg permitted the repatriation of \$2.5 million, or about half of a criminal forfeiture judgment obtained by the US in connection with the Salamanca case. Although a Luxembourg court ordered the return of US\$7.9 million from the Jurado-Garcia convictions (they were not the account holders), these funds remain frozen because they were identified by the court as drug proceeds (and a claimant would be admitting guilt); the US also has forfeiture requests pending against these funds. There is a long-term interest in the eventual decision by Luxembourg to determine whether its 1992 law applies to civil forfeiture orders. The US has filed a number of civil cases involving tens of millions of dollars on deposit in Luxembourg banks, and criminal forfeiture is impossible or unlikely because the defendant has absconded or died. The first test case may arise out of a civil forfeiture order filed by the US in 1994 against US\$47 million in bank accounts in Luxembourg once owned by Jose Rodriguez Gacha.

**Netherlands.** (High) A new anti-money laundering law went into effect February 1, 1994, mandating that all financial institutions, including money exchanges, credit card companies, insurance and securities firms, and casinos as well as banks, disclose all transactions over 25,000 guilders (US\$14,200) or any unusual transactions of lesser amounts which are unusual. The law also strengthened identification requirements for more types of transactions. On January 1, 1995, the Netherlands' 100 foreign currency exchanges came under the supervision of the Central Bank, which has imposed stringent reporting requirements and other regulations on the exchanges, many of which are foreign registered, and have long been suspected of laundering millions of guilders annually. In August 1994,

the forfeiture cooperation and asset sharing agreement between the US and the Kingdom of the Netherlands came into force in the Netherlands; ratification by Aruba and the Netherlands Antilles is pending. The Netherlands enacted legislation providing for enforcement of both civil and criminal foreign forfeiture orders.

Amsterdam, a global financial center, is considered a major target for money launderers. Money laundering often involves the drug trade, but substantial sums of illicit proceeds are generated by fraud, including trade fraud. Money laundering proceeds are generally owned by drug cartels or organized crime groups. There is special concern about criminal proceeds flowing into the Netherlands from the Netherlands Antilles and Aruba, concerns which have led those governments (part of the Kingdom of the Netherlands) to adopt reporting requirements for unusual transactions. The US also has deep concerns about these two island governments and has engaged The Hague in discussions on joint actions. There is also concern in the Netherlands about the sharp increase in new accounts opened by Russian citizens; whose accounts are being used to deposit millions of guilders of unknown origin. Dutch banks fear that the bulk of this money consists of criminal proceeds which the Russian "mafiya" is attempting to launder. Some of the funds come to Dutch banks from banks in Eastern Europe, and some of the individual accounts have been opened with passports which later proved to be false.

**Norway.** (Low) Norway is not a major world financial hub, tax haven or offshore banking center. Money laundering is a criminal offense in Norway and is investigated by a special police unit on economic crime (ecokrim). The laws on asset forfeiture and seizure are adequate and aggressively enforced. Drug related money laundering is thought to be rare, though illicit financial transactions occasionally result from illegal fish or alcohol sales.

**Portugal.** (Low-Medium) There is concern that entry into the European monetary system has made the Portuguese escudo more attractive to potential money launderers. The Policia Judiciaria has established a special unit to investigate money laundering and enforce the 1993 laws which mandate reporting of suspicious transactions and impose other obligations on the financial system. The principal concern remains Portugal's offshore banking system. **Madeira-Azores.** (Medium) There continues to be concern that the offshore banking center is used by narcotics traffickers to launder drug proceeds. These autonomous regions have some exemptions from Portuguese law, e.g., the offshore banks report only end-of-day totals, not individual transactions.

**Spain.** (Medium-High) Spanish financial institutions are increasingly used by drug traffickers, primarily organized crime groups in other countries, to launder proceeds. Banks are the principal medium, and personal accounts, money orders and wire transfers are the usual conduits for proceeds from the sale of heroin, cocaine and cannabis. An unestimated but possibly significant volume of drug proceeds enters the US from Spain, through Spanish financial institutions. In December 1994, the Spanish National Police, cooperating with US agencies on Operation Dinero, executed 14 arrest warrants, and seized drugs and other assets. Operation Dinero featured shell corporations and bank accounts around the world, including

Madrid, which were used to launder money via loans, property purchases, currency exchanges and similar devices. Having previously adopted laws to bring it into compliance with the 1988 Convention, FATF and EU policy guidance, Spain in 1995 will consider legislation which will establish procedures for storefront operations and controlled deliveries, and expand asset forfeiture authority to include sharing with other governments.

**Sweden.** (Low) Sweden is not an important money laundering center, but the government has ratified the 1988 UN Convention and criminalized money laundering, while also implementing the recommendations of FATF.

**Switzerland.** (High) Switzerland in 1994 added to its multiple criminal sanctions against money laundering by criminalizing membership in or support of a criminal organization. The Swiss also changed their laws to permit confiscation of illicitly acquired assets without having to establish the exact linkage between a given asset and a specific crime. In addition, the revised criminal code allows bank employees to report suspicious transactions without penalty for violating bank secrecy. And, to overcome a gap in the coverage of its laws, the Swiss have introduced legislation extending their money laundering laws to non-bank financial institutions, including an obligation to report suspicious transactions. Previous Swiss law was created through close cooperation and consultation with the banking community, and the bankers want to ensure that new measures on non-bank financial institutions conform to banking standards, particularly as regards the agreement on self-regulation. While the banks were critical of making suspicious transaction reports mandatory, the opinion in Bern is that these additional measures will further improve the reputation of Swiss banks and drive drug proceeds elsewhere. In 1995, the Swiss will also consider a proposed law which would create a federal administrative body to fight organized crime. Given the new laws of 1994, Swiss authorities are reportedly pursuing several significant investigations. A question has been raised in connection with offenses which occurred prior to passage of the first anti-money laundering laws in 1990-92. The question occurs in part because of the revelation that a vice director of the Union Bank, the largest Swiss bank, was arrested in Zurich on suspicion of laundering drug proceeds from Colombia totalling US\$150 million. However, the funds were deposited some 14 years ago and the account was virtually unused. The Swiss have signed but not yet ratified the 1988 Convention; they object to provisions relating to treatment of addicts.

**Turkey.** (Medium-High) In October 1994, Turkey introduced but has not yet adopted legislation to ratify and implement the 1988 UN Convention. Although a member of FATF, Turkey does not currently have anti-money laundering laws. However, the belief is that increasingly large amounts of drug proceeds -- Turks are believed to control 70 percent of the heroin trade in Europe -- are being returned to Turkey. Iranian money launderers operate in Istanbul and facilitate movements to and from other European countries.

**United Kingdom.** (High) The 1993 laws requiring reporting of suspicious transactions and reporting on large cash transactions, broadened to include non-drug-related money laundering, went into effect April 1, 1994. The British also revised their asset forfeiture laws to permit civil actions. As noted elsewhere, the UK cooperated closely with the US on Operation Dinero, arranging for DEA to operate a Class B undercover bank in Anguilla which was the key to its success.

## **EASTERN EUROPE AND BALKAN STATES**

**Bulgaria.** (Medium) Government officials consider Bulgaria highly vulnerable to money laundering, but have no estimates on volume. Money laundering may involve the illegal conversion of state assets to private hands and other forms of crime, more so than narcotics trafficking. The GOB has not passed laws to criminalize money laundering, but officials are considering ways to comply with the Council of Europe convention on asset confiscation as well as money laundering.

**Czech Republic.** (Low) Czech ministries collaborated in 1994 on drafting a law to "preclude legalization of proceeds from criminal activities." A meeting was held November 7-8 with officials from FATF to consult on implementation of the various aspects of the proposed legislation, which should be enacted in 1995. The law would cover drug and non-drug proceeds generating crimes, and provide for penalties as well as confiscation of assets. Other provisions would require banks to identify beneficial owners of transactions and require banks to report suspicious transactions to the financial prosecutor. The bill would also create a central data repository and authorize financial crime investigations. Officials believe the republic is used by organized crime groups from the NIS, the former Yugoslavia, as well as the Camorra, Sicilian Mafia and other criminal organizations.

**Hungary.** (Medium) During 1994, the government took actions to increase prudential supervision of its banking system and, through money laundering laws, to bring it closer to ratifying the 1988 UN Convention (additional legislation is needed). The penal code was amended in May, criminalizing money laundering. Regulations were issued requiring banks to report transactions exceeding US\$20,000. Banks are permitted but not required to report suspicious transactions. Hungary is believed to be particularly vulnerable to money laundering by Eastern European drug trafficking and organized crime groups.

**Kyrgyzstan.** (No priority) Although Kyrgyzstan's banking system is all but inoperable and could only be of limited use to money launderers, there have been recent unsubstantiated reports that foreign entities are looking to or have already established banks in Kyrgyzstan as fronts for money laundering.

**Moldova.** (No priority) Moldova is too economically underdeveloped to offer attractive potential for money laundering.

**Poland.** (Medium) On December 31, 1994, a business security act became effective. The act imposes new regulations on economic management practices, and provides penalties for money laundering, loans swindles and creditor frauds. Judicial and trade officials have been quoted as believing that some of Poland's recent economic scandals might not have occurred but for the perpetrators' sense of impunity in the absence of law. To strengthen regulation of its banking sector, the National Bank of Poland (NBP) adopted a moratorium in March 1994 on licensing of new banks. NBP's stated policy is to seek a consolidation among private and cooperative banks through mergers, combined with partial foreign ownership of some banks and financing of others through the stock market. Poland has 15 State-owned banks and approximately 70 private banks wholly owned by Polish nationals, and 1,600 cooperative banks (which offer credit union and savings and loan facilities).

There are three large foreign banks operating in Poland (one US, two Austrian); other countries also are represented. NBP considers four of the state banks to be seriously undercapitalized and almost a fourth of the private banks face liquidation. As the privatization process continues, regulations and privatization agency officials continue to have problems investigating the background of potential investors. Thus, in addition to drug and contraband money moving through Poland, including its banking system, there is concern that criminal organizations may be purchasing established businesses to use as front companies. The enforcement problems found during the 1993 FATF seminar also continue: understaffed police and Customs forces; weak laws; lack of investigative tools; and the strength of the various criminal groups, including Russians, operating in Poland.

**Romania (Low)** Romania is not only becoming a major transit point for narcotics enroute from Asia to Europe but investigations indicate that Romania is also becoming a money laundering center for Italian, Chinese and South American drug trafficking groups. Romanian enforcement agencies have expressed interest in money laundering investigations training but none of their investigations have resulted in arrests. There are few applicable laws to prevent money laundering.

**Russia. (Medium-High)** In late 1994, an interagency group led by the Ministry of the Interior and including the Bank of Russia proposed anti-money laundering legislation conforming to the recommendations of the Financial Action Task Force at its meetings in Russia in 1993 and 1994. If adopted by the Duma, the legislation would criminalize money laundering from all serious crime, and penalize organized crime and fraud while requiring financial institutions not only to cooperate with law enforcement but to report on suspicious and other transactions. Money laundering is not currently a crime, and criminal groups, estimated in the thousands, exploit the banks which proliferated in the early 1990's. A critical problem Russia faced in trying to stem the tide of illegal money flowing through its economy was the lack of central bank authority to regulate the system, a problem compounded by the uncontrolled expansion of the financial sector. Russia has more than 3,000 banks, and many of them are front companies for money laundering and/or efforts to buy legitimate businesses. Financial crimes in Russia are related to bank fraud, contraband and arms smuggling, car theft, racketeering, drug trafficking, embezzlement and prostitution. The Interior Ministry believes that organized crime groups not only dominate these activities but also control as many as 40,000 businesses, and, 25 percent of Moscow's banks. The Bank of Russia (central bank) advised FATF in November 1994 that it has begun to close banks which fail to meet the heightened capitalization requirements imposed earlier in the year (until January, a banking license cost about US\$100,000 but by 1996 Russia hopes to equal the EU requirement of about US\$5 million for a bank's capital requirement). Almost one hundred banks have been closed. Exchange houses, insurance companies and real estate firms have also engaged in money laundering. Asset privatization also has been exploited; crime groups possessing large amounts of cash can launder their proceeds by purchasing formerly state-owned factories, hotels and businesses. Money also is exported illegally through the smuggling of commodities such as oil and metals sold outside of Russia. The use of false contracts to import or export phantom goods is becoming commonplace. Money also is smuggled in bulk. The dollar continues to be a primary currency, although sales of US dollars and other foreign currencies were prohibited in January 1994, to strengthen the ruble.

**Ukraine.** (Low) Ukraine is not attractive as a tax haven or offshore banking center because of the weakness of the national currency and the state of the banking system. What money laundering that does occur in Ukraine is found in Crimea which has become a haven for Russian banks and therefore a money laundering center for Russian criminal enterprises. Capital flight is a problem for Ukrainian officials. Ukraine is a party to the UN 1988 Convention but has not passed the laws preventing money laundering and establishing asset seizure provision necessary for ratification.

### **BALTIC STATES**

**Estonia.** (Low) Estonia is considered to have the more serious money laundering problem in this region, primarily because of the presence of organized crime groups from Russia and elsewhere but it has not yet developed countermeasures. **Latvia.** (Low) Latvia has the potential to be a money laundering center because of its lack of proper banking regulation and its large number of banks. **Lithuania.** (Low) The banking industry is not yet subject to controls applied in Europe, and drug trafficking continues, but there is not a major money laundering problem.

### **MIDDLE EAST**

**Cyprus.** (Medium) Cypriot officials are concerned that the success of the offshore banking center has made it vulnerable to international money laundering activities, particularly by the Russian mafia, and other organized crime groups. Cyprus has more than 15,000 offshore companies from many parts of the world, 1,000 of which are Russian. The Central Bank monitors monetary activities to deter money laundering. Cypriot law allows for the confiscation of drug-related profits; however, the government does not compile statistics on seizure amounts. In September, the Cyprus police force organized a task force of financial investigators and Central Bank officials to identify suspicious banking transactions and accounts. In December, the Central Bank issued regulations extending bank compliance officers' responsibilities to include anti-money laundering procedures. The Central Bank advised domestic and offshore banks to implement a "know your customer" policy; it also conducted a survey of large cash transactions at 16 offshore banks. Offshore banks are also being established in Turkish Cyprus, which presents itself as a "paradise" for banks. Turkish officials are concerned that Turkish Cyprus will attract illicit funds; since branches of the offshore banks can be opened in mainland Turkey, there is potential for money flowing through Cyprus to be repatriated to Turkey.

**Egypt.** (Low-Medium) Egypt was downgraded from Medium in 1994. It is not a major Middle East financial center nor a significant factor in the region's money laundering. Still, the ability to hold numbered accounts gives Egypt a potential worth watching.

**The Gulf States.** While Cyprus, Israel and Lebanon have become more significant as current or potential money laundering centers, traditional financial centers in the Middle East continue to be factors in the movement of illicit proceeds from drug and non-drug related crime. The **United Arab Emirates** (Medium-High) is both an important offshore banking center and tax haven, it is the most significant factor in money laundering through the

Gulf States, if not the Middle East itself. Illicit proceeds are primarily moved through Dubai's banks and gold markets. **Kuwait** (Medium) has experienced financial scandals as it rebuilds its economy, and has high potential for money laundering, but Kuwait has not ratified the 1988 UN Convention, the only Gulf State failing to do so. **Bahrain** (Medium) remains a principal offshore banking center in the Middle East, its open economy is believed to have been penetrated by money launderers over a period of several years to move drug and non-drug-related illicit proceeds, taking advantage of the well-established links to European banking centers. At the other end of the spectrum, **Oman, Qatar and Saudi Arabia** are ranked No Priority; the indication is that none of these countries is a money laundering center, from the drug or non-drug perspective.

**Iran.** (Low) Iran is not considered an efficient base for money laundering due to its limited international financial capabilities, but, its priority has been raised to Low because of suspicions of Iranian involvement in financial crimes.

**Iraq.** (Low) As a result of the Persian Gulf War and related sanctions, Iraq has had neither the infrastructure nor the ability to facilitate money laundering operations, but, as its banking sector improves, so have suspicions of Iraqi engagement in various kinds of financial crimes. The priority has been raised to Low for 1995.

**Israel.** (Medium) Israel continues to increase in significance from a money laundering perspective, although it is not yet considered a major international money laundering center. The presence of several international banks, strict bank secrecy laws, no limits on currency coming into or out of the country, and no taxation on foreign-owned accounts create an atmosphere conducive to money laundering. Recently, Russian criminals have been noticed using Israel to launder illicit proceeds, reportedly arriving at Israeli banks with suitcases stuffed with money. Also, Israeli organized crime groups launder funds generated at home and abroad. There are Israeli members of various money laundering syndicates with operations in the US. Money laundering is a crime, not limited to drug offenses. Few cases of drug money laundering have been prosecuted. Israel recently ratified a dual taxation treaty with the US which grants US tax authorities limited access to bank account data. Also, in November 1994, negotiations began on a mutual legal assistance treaty.

**Jordan.** (No Priority) Government officials believe there is no money laundering in Jordan. Consequently, there are no laws on money laundering or compliance mandates on banks if it were to become a problem. The drug trade is based on cash, handled by Bedouin tribesmen, which would not facilitate border monitoring or tracing transactions.

**Lebanon.** (Medium) A draft anti-money laundering bill, which Parliament is said to be considering, was prepared by officials from the Justice and Interior Ministries, the Central Bank and the Lebanese Bankers Association. The draft proposes jail sentences of no less than 10 years hard labor and a fine of one billion Lebanese pounds (US\$608,000) for "people regularly involved in laundering money or who use facilities provided by a certain job to carry out this crime." The penalty increases to 15 years imprisonment if the convicted person is a member of a criminal organization. First-time offenders would

receive sentences of no less than five years hard labor and a fine of 500 million Lebanese pounds (US\$304,000). The laws would reportedly permit Lebanon to accept the 1988 UN Convention, but high-level officials have said repeatedly that the government will maintain its strict bank secrecy laws. The proceeds from the continuing trade in heroin and other drugs moved through Cyprus during the civil war but Lebanese banks are recovering and could resume their role as major money brokers and money launderers in the Middle East. Lebanese traffickers operate throughout the US, and have invested in real estate but also in businesses which act as fronts for laundering and moving money. Lebanese drug money also enters Lebanon through several African nations with loose banking regulations; money is wired from bank to bank and then converted to hard currency before being brought into Lebanon. Nigerian drug money also flows into Lebanon. The volume of US dollars from all sources (Lebanon is rebuilding its once vigorous commercial trading sector) moving through Lebanon is so high that the bank clearing facility asked the Federal Reserve to let it burn bulk cash rather than return it to New York (denied).

**Syria.** (Low) Syria is not considered an important regional financial center, nor a significant money laundering center. Although possible, the absence of private banks and harsh penalties for illegal currency dealings limit money laundering which, in any event, is easier to carry out in neighboring Lebanon.

## **SOUTH ASIA**

**Afghanistan.** (Low) Afghanistan is not a major money laundering center, despite its opium production, although drug proceeds are used by warring factions to buy arms and supplies. Payment for drugs from Afghanistan is usually made in US dollars, German marks, or gold. Afghan traffickers reportedly purchase weapons in northern Pakistan or Iran with their drug proceeds, or smuggle hard currency and commodities back into Afghanistan. Major traffickers keep their money in foreign banks; the UAE is a favorite financial center. Afghan traffickers operating in the US, particularly the NY-NJ area, typically launder their proceeds for return home through underground channels and business fronts, such as restaurants, food stores and import-export companies. Afghan nationals (both Sikhs and Muslims) have been identified by Indian authorities as being couriers for drug money transported throughout South Asia.

**Bangladesh.** (No priority) Bangladesh is not considered a significant money laundering threat, due to its inadequate financial system. However, it may be a major transshipment point for Southeast and Southwest Asian heroin, and officials attending FATF seminars expressed concern about financial flows from this trade entering their system and declared their interest in adopting preventive measures.

**India.** (Medium-High) A major drug source and transshipment center, India also is a significant money laundering and money movement concern. As in 1993, the government continues to be effective in its effort to reduce currency flows through the underground hawalla system, but drug traffickers, arms smugglers and other criminals continue to use this traditional remittance system to return illicit proceeds to India from all parts of the world, including the US. A new policy on imports has not eliminated the flow of

gold into India, a long-time venue for money laundering. Invoice manipulation also is used to conceal money movements, usually through front companies based in Hong Kong, Singapore or the Middle East. Indian criminals evade their government's currency restrictions by opening accounts in Nepalese banks, and transferring the money into accounts in India, or transporting monetary instruments back to India. Some Indian traffickers also are known to have channeled money to Nepal and transferred it to Hong Kong, Singapore and Switzerland. India has criminalized money laundering and adopted other controls, but, as the foregoing indicates, enforcement is largely ineffective. However, in late 1994, Indian officials uncovered a drug money movement scheme which employed Afghan nationals as money couriers. The couriers carried the money from Pakistan and India to Dubai, where they purchased gold, or deposited the proceeds, estimated in the millions of dollars, into Dubai bank accounts for eventual transfer into accounts in India.

**Nepal.** (Low-Medium) Firm estimates are not available to measure money laundering related to the Asian heroin trade, but reports continue of drug and perhaps contraband proceeds moving across Nepal's border with India, and also of exchanges with Thailand, Hong Kong, Singapore and other financial centers. The government has taken no action to criminalize money laundering, and its banking and foreign exchange regulations were not designed to control money laundering.

**Pakistan.** (Medium-High) The government has adopted an ordinance criminalizing drug-related money laundering and providing for the forfeiture of assets derived from money laundering. US and Pakistani officials are hopeful the ordinance will improve legal action against drug trafficking and money laundering. While the underground hundi system continues to be used to remit drug proceeds, especially from Europe, measures taken by Pakistan to liberalize its economy have seemingly lessened the use of the hundi but also resulted in attracting black market money, much of it drug proceeds, into the legitimate economy. Millions of US dollars have poured into Pakistan since the removal of foreign exchange controls; while this increased Pakistan's foreign exchange reserves, it is believed that much of this inflow came from illicit activities such as tax evasion, smuggling and drug trafficking. In addition to liberalizing foreign currency and gold exchanges, and permitting the use of bearer bonds, all of which are vulnerable to manipulation by money launderers, Pakistan allows residents to hold foreign currency accounts at home and abroad. They can freely transfer, receive and convert foreign currency through Pakistani banks, which are under no obligation to report or maintain records on large currency transactions. Banks are being privatized, including some which are suspected of involvement in money laundering. Invoice manipulation also is a common method of moving illicit funds into Pakistan. Goods shipped from Pakistan to the US are overvalued to cover large money transfers to Pakistan from US drug sales; in some instances, no goods are actually shipped. Advance payment schemes involving phony invoices also are used. Gold smuggling is another widely used mechanism to transfer drug money. Money laundering in Pakistan occurs in both the bank and non-bank financial systems. Banks secrecy can be lifted in criminal cases; banks are required to report suspicious transactions, compliance is poor, but there are no controls on movements of currency over Pakistan's borders. Exchange

houses offer banking services, particularly in rural areas; in one location favored by drug traffickers, some exchange houses refused to handle transactions of less than US\$1,000. Draft laws would improve Pakistan's authority to seize all assets related to narcotics trafficking, including bank accounts.

**Sri Lanka.** (Low-Medium) Draft legislation amending the dangerous drugs ordinance to include specific anti-money laundering provisions will be considered by the Parliament in 1995. Criminal transactions such as drug trafficking are not protected by current bank secrecy laws.

## **EAST ASIA**

**Burma (Myanmar).** (Medium) Despite its preeminent status as an opium and heroin producer, Burma is not considered a major drug money laundering center. Due to its nonconvertible currency, primitive banking system and Byzantine regulations governing the use of more stable foreign currencies, Burma traffickers tend to deposit their drug proceeds in Thai or Chinese banks. With the slow liberalization of the Burmese banking system, however, there are some signs that traffickers may be looking more favorably to investing their trafficking profits in-country. In early November the Burmese government declared a tax amnesty on any money deposited into government banks before March 31, 1995, without any need to account for the monies' origins. This move was an attempt by the government to encourage more Burmese to use the formal banking system (a step it also has taken before). However, it could also facilitate the laundering of drug trafficking revenues. The Burmese government adopted money laundering and asset seizure statutes in 1993 but there have been few known seizures of drug-related assets or legal actions taken against suspected drug money laundering in Burma. Burmese officials note that they have few personnel trained in this area and that the development of such cases often takes years in the United States. The government of Burma expects that it will be bringing such cases to trial in the next two to three years. The UNDCP-organized study tour of Australia for Burmese counternarcotics officials in November represented a first step in addressing the training needs of Burmese police and judicial officials. These laws, even if enforced, would not deter other forms of money laundering, e.g., overstating income or declaring a business unprofitable to disguise the movement of drug and other proceeds. Corruption at lower levels also contributes to money laundering.

**China.** (Medium) Anti-money laundering legislation, which Chinese officials had indicated to FATF would be passed in April 1994, failed to materialize. Chinese officials attending the seminar in Kuala Lumpur in November 1994, hosted by FATF and the Commonwealth Secretariat, however, expressed determination to adopt modern legislation that would meet FATF and other standards. Officials of the People's Republic of China continue to believe that their prohibitions on concealing assets and laws against fraud would cover money laundering offenses, but nevertheless indicate they will seek legislation which effectively criminalizes money laundering. They also are interested in asset forfeiture legislation similar to the US. China has no currency transportation laws; travellers can bring unlimited sums into China as long as the money is declared. One person reportedly brought US\$2million into China in lots of \$500,000 on four trips. China has seen an increase in foreign investors interested in establishing holding companies and drug traffickers are believed to be taking advantage of these investment opportunities.

China's financial services system continues to expand, with more banks, bank branches and holding companies, which theoretically makes the Chinese financial market easier for criminals to penetrate, in the absence of effective countermeasures.

**Hong Kong.** (High) Hong Kong is a major international financial center used by drug traffickers to launder proceeds through the banking and non-banking systems. In addition to using the 177 international banks and 200 finance companies, traffickers move operating funds and profits between Hong Kong and other Asian countries through the underground remittance system. The territory also is considered an important tax haven and offshore banking center. While drug money laundering is dominated by local heroin trafficking groups, other groups trading in cocaine and cannabis also launder funds. Much of the money laundering involves US dollars. Money laundering involves more than processing drug proceeds; organized crime groups are engaged in loan sharking, prostitution, the black market, and drugs, and commingle their proceeds, which are often invested in import/export businesses, trading companies and other legitimate outlets. Banking laws require that suspicious transactions be reported, but compliance was initially quite low in terms of number of transactions reported. Subsequently, the government, in cooperation with the Association of Banks and the Hong Kong Monetary Authority, began a comprehensive education program for bank employees. As a result, the number of cases of suspicious transactions reported rose from 38 in September 1994 to 71 in November, more than double the cases reported in November 1993. The banking industry has generally been cooperative with HK police on money laundering investigations, but the bankers have successfully resisted requirements to maintain records of large currency transactions, and there are no currency controls. There are guidelines for banks to follow in preventing money laundering, and rules for identifying suspicious transactions. The government is considering how to apply these guidelines to the non-bank financial sector, including insurance companies, the security industry and the bullion markets.

The vast underground banking system is unregulated, but Hong Kong law enforcement officers maintain that drug money laundering constitutes only a small part of the total transactions handled by this system. Cross-border currency movements can be used to transfer drug and other proceeds, given the lack of controls, and HK officials believe substantial sums enter the colony every day.

Given these factors -- unlimited foreign exchange, free movement of currency into and out of the colony, the continued trade in narcotics and a vast smuggling enterprise -- the belief is that money laundering continues to be an important factor in the world's fourth largest financial center, despite the aggressive actions of its enforcement agencies. The vulnerability of the Hong Kong financial system, which it admittedly shares with other major financial centers containing hundreds of banks and tens of thousands of customers engaged in extensive commercial and financial trading (much of it by wire) is being illustrated in the ongoing trial of two businessmen who were associated with drug trafficker and money launderer Law Kin Man. The anticipation is that testimony will reveal not only how Law transferred millions of US dollars through accounts in Hong Kong, the US, Singapore, Australia and other countries, but also how he used the Bank of Credit and Commerce International in Hong Kong. In 1994, following his extradition from Hong Kong, Law plead guilty to heroin trafficking.

The government does plan some upgrades of its controls; e.g., amending the 1989 ordinance, which targets persons who facilitate money laundering, to include the persons who own the funds. Hong Kong enforces its asset forfeiture act upon conviction for a predicate crime. As of October, 1993, the government had seized US\$47 million in assets, about \$19 million of this amount in pursuit of USG orders. The HK government has agreed in principle to share forfeited assets with the United States.

**Japan.** (Medium-High) Japan has insisted in several fora that it will not amend its laws to criminalize non-drug-related money laundering, the only FATF member to cast such an outright refusal. Despite Japanese denials, USG officials continue to believe that narcotics and other money laundering is a more serious problem in Japan than is indicated by arrests or prosecutions, and thus continue to rank Japan as a Medium-to-High priority. DEA agents estimate that approximately 40 percent of the income of the Boryokudan organized crime syndicates comes from drug trafficking, the remainder from other criminal activities. The National Police have been quoted as estimating the value of the domestic methamphetamine trade at more than US\$3 billion annually. DEA is aware of at least five transactions in the last eighteen months to transfer large sums from Colombia and the US to Japan. These and other data suggest that money laundering has occurred at significant levels for several years, but this belief cannot be quantified by investigative data. While Japan adopted financial control laws in 1991, enforcement agencies have never investigated thoroughly the extent of money laundering by organized crime groups. Strict bank secrecy statutes make such investigations difficult, and the parallel belief is that crime groups would not hesitate to exploit such a vulnerable system. Although banks are required to submit currency transaction reports as well as suspicious transaction reports, the latter have been almost non-existent. Only one case of money laundering has been successfully prosecuted under the new laws, which apply only to drug-related money laundering. Foreign exchange control laws require a license to transport more than five million yen out of Japan, but no license is required and there are no limits on the transfer of foreign currencies.

**Korea.** (Medium) Korea continues to liberalize its economy and foreign banks continue to enjoy less regulation than their domestic counterparts (depositors are not subject to ROK audit), but, despite reports that Colombians and Nigerians are carrying thousands of US dollars into Korea (even declaring it upon entry), the ROK has not yet criminalized money laundering or adopted other anti-money laundering measures. The most recent liberalization measures permit banks to sell gold and make capital investments in the leasing industry. Individuals will now be able to purchase foreign currencies, up to US\$50,000 per day; individuals can actually hold more than US\$50,000 but must declare any holdings above that level. Despite evidence that drug trafficking by Nigerian and Thai smugglers has increased, and the presence of Nigerian and Colombian travellers who are suspected of drug trafficking, there are no estimates on how much the proceeds of these drug purchases enters the Korean banking system.

**Macau.** (Medium) Despite suspicions of foreign enforcement authorities, Macau officials continue to believe money laundering activity does not occur there, notwithstanding its liberal banking laws, its flourishing casino industry, lack of currency controls, and strict bank secrecy. Macau now

permits offshore banks to operate, free of taxes. Macau has taken action to more closely regulate its banks through the Financial Systems Act, which compels the 23 banks and other financial institutions to record the identity of persons making significant transactions. Banks have to cooperate with police on investigations and allow access to confidential information necessary to combat criminal acts. Moreover, any institution which accepts funds over the US\$12,500 limit will be committing a criminal offense. These requirements were established by the Monetary and Foreign Exchange Authority to safeguard against money laundering and prevent the "possible international discredit" of its financial system. The new laws do not cover the eight casinos, which entertain 50,000 customers per day and contribute about one-third of Macau's GNP. Macau permits wire transfers but not to casinos. Macau is a Special Territory of Portugal but will become a Special Administrative Region of China in 1999.

**North Korea.** (No Priority) As a tightly controlled police state, North Korea is not accessible to drug money laundering groups; however, government officials posted abroad have been implicated in financial crimes. In June, six North Koreans affiliated with government trading companies in Macao were arrested with US\$600,000 in high-quality, counterfeit US\$100 bills. There is no hard information that the operation in Macao was directed by the government. However, one arrestee had a diplomatic passport, and North Korea has been involved in at least one other instance of counterfeiting (a 1982 case against Gold Star Bank's branch in Vienna.)

**Taiwan.** (Medium) The Ministry of Justice has drafted a money laundering control act, which the Taiwanese indicated at FATF's seminar in Kuala Lumpur would be in substantial compliance with FATF recommendations, but there has been no timetable set for legislative consideration. Money laundering and other financial crimes are believed to have increased in the wake of Taiwan's measures to liberalize its financial system. Tracking illicit proceeds is difficult, because licit and illicit funds are intermingled through the underground financial system, which has become sophisticated enough to process large loans, and even stock trades which rival the exchanges. The underground economy volume is roughly estimated to be 25 percent as large as the legitimate economy. To curb money laundering, the Ministry of Finance has adopted a number of countermeasures, including requirements that banks provide training to staffs in preventive techniques, but it has not criminalized money laundering. Taiwan is not a signatory to the UN Convention, but requires banks to maintain records of transactions exceeding US\$250,000, and to report foreign exchange transactions of more than US\$500,000. Banks are also required to report suspicious transactions, but there are no guidelines for the banks, nor training for their employees on recognizing suspicious transactions or on reporting practices.

## **SOUTHEAST ASIA**

**Cambodia.** (Low) Cambodia has become a money laundering concern during the past year, and is moved up in the INCSR rankings from to a "Low Priority." or higher. In 1994, Cambodia's Finance Minister and the Deputy Governor of the Cambodian National Bank stated that money

laundering is becoming a significant problem throughout the banking system which has seen approximately 30 new banks opened in the past three years. Some recently opened banks are owned/operated by known money remitters who own/operate remittance/laundrying syndicates elsewhere in Southeast Asia. Cambodia has under consideration a draft law on drug control which incorporates anti-money laundering provisions.

**Indonesia.** (Low) Although Indonesia is not considered a significant money laundering country at present, US officials consider it quite vulnerable, and the "Far Eastern Economic Review," a highly-respected periodical, has criticized the "vague accountability" system of state-run banks. The government is considering additional legislation to cover money laundering, conspiracy and asset forfeiture.

**Laos.** (Low) Laos is not currently considered a major financial center, its commercial banking system is in the early stages of development, and there is no evidence of significant money laundering. However, the Laotian government expressed interest in developing money laundering legislation. In 1994, Laotian banking officials attended a money laundering symposium conducted by FATF in Malaysia. In October 1994, it was reported that a suspected Thai drug trafficker was planning to build a casino complex in the Phu Luang Zone in Pakse District, Champassak Province. The province will permit tourists and investors to travel freely between Laos and Thailand. This would increase Thai investment in the region.

**Malaysia.** (Medium) While there is evidence that some financial institutions, especially in Penang, may be laundering drug proceeds, Malaysia is more of a concern for its potential as a future money laundering center than for its current status. Malaysia is becoming a more important regional financial center and will attract funds from an ever-wider market. The Minister of Law said, at the FATF seminar in Kuala Lumpur in November, the government is especially concerned about the kinds of funds which its offshore facility in Labuan will attract. While still not the financial center once envisioned by Malaysia, the Labuan facility had 373 offshore companies in 1994, including 40 offshore banks. The goal is for Labuan to become a full-fledged offshore financial center by January 1996, offering a wide range of financial services, low or minimal taxation, and minimal government regulation. The indicated tax rates are competitive with other Asian centers: three percent on declared profits by offshore companies; no taxes on investments and other non-trading activities, nor on interest and royalties. Offshore banks can undertake any foreign exchange transaction, including forward and spot purchases and sales, currency swaps with non-residents and resident banks, and remittances to and from Malaysia for non-residents. Apart from banking, Labuan offers trust and fund management, offshore insurance business, investment holding companies and other multinational activities.

**Singapore.** (High) Legislation which conforms banking rules with the 1992 Drug Trafficking Act became effective in October 1994 and Singapore has begun investigations of money laundering. The Monetary Authority of Singapore (MAS) announced at the January 1995 meeting of FATF that Singapore will broaden the new law to cover non-drug related money laundering. The MAS also advised that Singapore will open negotiations in 1995 with the US, which will become the first government to be designated under the new law for the exchange of financial information related to criminal transactions.

The new law allows bilateral treaties and agreements to facilitate mutual assistance, and should enable Singapore to ratify the UN Convention. Under the new law, banks are required to disclose information to law enforcement agencies on the accounts of individuals suspected of drug money laundering, subject to a court order. Drug money laundering is a criminal offense; suspicious transactions must be reported, and banks must positively identify customers making large currency transactions, and also keep adequate records to assist law enforcement. Another provision allows the Attorney General to assist a foreign government investigating an offense which is also an offense under Singaporean law, but this cooperation will be subject to an agreement between the governments.

Prior to enactment of this legislation, the few requests the USG made in investigating narcotics-related financial crimes were denied because of bank secrecy laws. Under the new law, such assistance through access to bank records can only occur if there is a bilateral designation agreement in place. Singapore has not yet established the rules for such agreements, although the USG has repeatedly stated its willingness to negotiate. US officials continue to believe that the very features which make Singapore the world's fifth largest financial center, and a likely successor to Hong Kong as the major regional center after 1997, also attract money launderers. US officials believe that with the increased exploitation of the myriad money remittance shops, many with international connections, Singapore has become a country of choice for some Asian traffickers who hope to take advantage of Singapore's highly developed and very prosperous financial sector. The belief that drug and other money is laundered through both the banking and non-banking financial systems is based upon cases in Australia, Hong Kong and elsewhere which have a Singapore connection, but there are not enough data to project a volume which would confirm Singapore as a major money laundering center. There have been no arrests under the new law, but the legal and administrative machinery are in place and, penalties are severe, bankers can be held personally liable in money laundering cases, and Singapore has enacted a tough asset seizure law, but this 1992 law on asset forfeiture has also not been tested.

**Thailand.** (High) Thai officials express optimism that their long-awaited anti-money laundering legislation will be presented to their parliament in May 1995. The expectation is that the final draft will be limited in scope to drug-related money laundering. However, Thai officials seem sensitive to the multiple factors which create their money laundering situation -- drug trafficking, arms and commodities smuggling, gambling, prostitution, counterfeiting and other illegal activities, all abetted by strict bank secrecy laws which inhibit investigations and by the wide availability of the informal, underground banking system. Thus, some Thai officials indicate that the money laundering law will eventually be broadened to include illicit proceeds from a variety of serious crimes. The law, which will include reporting requirements on the financial industry, should move Thailand into position to ratify the 1988 UN Convention. Thailand also needs to improve its asset forfeiture procedure; 84 cases have been brought under its 1992 law but none have been concluded. In one of the most significant cases involving Thailand, the US indicted a member of the Thai parliament, Thanong Siripreechamong, in May 1994 and charged him on three counts of operating a continuing criminal enterprise, including the smuggling of multi-ton loads of marijuana into the US. The US has requested extradition.

**Vietnam.** (Low) Vietnamese nationals are active in money laundering in other countries, such as Australia and the US, but money laundering in Vietnam itself has not been significant to date. That situation could change; several foreign commercial banks have expressed interest in opening offices in Hanoi; more than 30 non-Japanese banks operate offices and branches in Ho Chi Minh City, where Japanese banks will also be operating in the near future. Police made their first asset seizure in 1993, arresting a fugitive from US justice who had laundered drug proceeds by investing US\$500,000 in real estate. While there are no reliable estimates on how much money is being generated by the drug trade, Australian authorities have expressed concern about gold smuggling between Vietnam and Australia, which they say is connected to large deposits of currency into Hong Kong banks and is possibly heroin-related.

## **THE PACIFIC**

**Australia.** (Medium) Long recognized as a leader in the Asian and Pacific regions for its innovations in financial reporting and the enforcement of its very comprehensive anti-money laundering laws, Australia is being challenged to stay ahead of changes in money laundering practices and practitioners. Chinese, Japanese, Colombian, and US drug traffickers have used Australia as a transit country for both drugs and money, and the National Crime Authority believes cocaine trafficking is increasing, which could be matched by intensified efforts to move cocaine proceeds through Australia. Ethnic Chinese also operate in "triad" groups in Australia, and utilize branches of the Asian underground banking system to process criminal proceeds. Japanese "yakuza" and Vietnamese gold smugglers also are active in Australia.

**The Philippines.** (Medium) There are strong indications that international drug trafficking syndicates, some from as far away as Europe and South America, have begun to use the Philippines to launder drug money. There is ample opportunity: money laundering is not a criminal offense and strict bank secrecy laws inhibit possible money laundering investigations. USG agencies remain concerned that the actual level of money laundering has been obscured by the high level of corruption in business circles. The US and the Republic of the Philippines signed a Mutual Legal Assistance Treaty on November 13, 1994, and also an extradition treaty, both of which must be ratified by the respective Senates. US officials hope that ratification of the treaties will create pressure to pass money laundering and asset forfeiture laws. Reporting of money laundering would increase and would be commensurate with the suspected levels of use of the Philippines by narcotics traffickers from Singapore, Thailand and Hong Kong. Other types of financial crime proliferate. Tax evasion is the norm, and residents hide their true worth through shell companies, dollar accounts held under false names, and through foreign bank accounts. The Philippines has signed but has not ratified the 1988 UN Convention and has not developed implementing legislation. There are controls on the amount of money which may be brought in, but money laundering is not a criminal offense and the bank secrecy laws prevent effective investigations. There is no asset forfeiture law, and a draft law under consideration by the Congress faces strong opposition.

Adding to its arsenal of financial transaction regulations, asset forfeiture and seizure laws, and extensive criminal investigation authority, Australia pioneered an electronic system for monitoring all telegraphic and other wire transfers into or out of the country's banks. This system enables Australia to match data on significant and/or suspicious transactions, with currency declarations filed upon entering/leaving the country, and any related wire transfers. Among other benefits realized, this new system was instrumental in identifying a money laundering transaction involving Chinese nationals. The 1987 Proceeds of Crime Act makes it a crime to launder the proceeds of all criminal activity. The Financial Transaction Reports Act of 1987 mandates the filing of reports by all cash dealers on transactions of A\$10,000 or more and by all persons entering or leaving Australia with more than A\$5,000, and requires reporting of suspicious transactions.

Also in 1994, Australia created a fund of A\$2 million to support an Asian Secretariat for the Financial Action Task Force which will assist South, East and Asian-Pacific nations in adopting and implementing FATF recommendations.

**New Zealand.** (Low) No action was taken during 1994 to pass laws which would comply with the UN Convention, and their possible enactment in 1995 will face considerable resistance. Money laundering is not a criminal offense, but there is no evidence that New Zealand is experiencing a major money laundering problem. The government is testing the asset forfeiture legislation passed in 1992 through its first seizure, valued at NZ\$400,000.

**Vanuatu.** (Low-Medium) There is no evidence of significant money laundering through the more than 100 banks despite the attraction of strict bank secrecy and a lack of foreign exchange controls. Vanuatu is a sophisticated offshore banking center with connections to Thailand, Hong Kong, England and France.

**Other Pacific.** (No Priority) Other Pacific island nations were reviewed (see list below) but are not significant from a money laundering perspective. However, the indication that advance fee schemes are being proposed in the Cook Islands serves as a warning that the region should be examined again for non-routine, non-drug related financial crimes.

## **AFRICA**

**Benin.** (No priority) Although Benin is not considered an important financial center in the region, several private banks have opened and the banking system is considered well regulated and stable. Benin has no legislation which outlaws money laundering.

**Cote d'Ivoire.** (Low-Medium) Cote d'Ivoire has a growing financial sector, however it is not currently a significant money laundering center. It is a transit and conversion point for narcotics money, and it is assumed that some money laundering takes place. Money laundering is a criminal offense. Banks are required to maintain records and report on large currency transactions. There are no asset sharing agreements between the GOCI and other countries. Money laundering controls do not apply to non-bank financial institutions.

**Kenya.** (Low) Kenya is not considered a significant money laundering center but there is growing concern about avenues for narcotics-related laundering in Kenya's casino industry and in the country's coastal resorts. In August 1994, the Government of Kenya implemented the provisions of the 1988 Vienna Convention by enacting the Narcotic Drugs and Psychotropic Substances Control Act. The legislation was comprehensive. It established procedures for seizing and freezing assets for drug-related activity. The legislation also made provisions for arrangements between the Government of Kenya, Kenyan financial institutions, and foreign governments regarding the exchange of bank transaction records. Recently, the Central Bank of Kenya instructed commercial banks to be more vigilant against the growing incidence of money laundering. The government of Kenya has recently relaxed its foreign currency regulations to allow the export of up to US\$500,000 without the need for approval of the Central Bank of Kenya or Kenya Customs. This has caused an upsurge in large cash transactions in the Kenya banking system. The Central Bank of Kenya has urged banks to enact "know your customer" measures and to query large transactions. So far, no arrests have been made, primarily because the transactors are politically connected.

**Morocco.** (Medium) The potential for money laundering could increase if Morocco creates an offshore banking center, which is being discussed. There are continuing concerns in Southern Europe about drug-related and other illicit proceeds crossing the Mediterranean into Morocco, where the funds are dispatched to banks in the UK and elsewhere.

**Nigeria.** (High) While still enduring international notoriety for the involvement of Nigerians in a variety of credit card and other scams, Nigeria continues to be of concern because heroin and other drug trafficking generates proceeds, which are remitted to Nigeria for laundering through its banks, non-bank financial institutions and exchange houses. Money laundering primarily involves Nigerian nationals, and proceeds are generally owned by Nigerian criminal organizations. Nigeria is considered a safe haven in particular for those traffickers and money launderers who have very strong West African political and banking bonafides. Corruption is prevalent throughout Nigeria and West Africa. The government has made token attempts to consolidate all foreign currency imports at the Central Bank but enforcement guidelines and direction are weak or non-existent. The US dollar is the principal currency laundered. There are no limits on the amount of foreign currency which can be moved into or out of the country, and the travellers' declaration requirement is not enforced. Nigeria adopted laws pursuant to its ratification of the 1988 UN Convention but enforcement is lax. A requirement on banks to report large cash transactions has been ignored, and Nigeria lacks an effective bank oversight system.

**Senegal.** (No priority) Senegal continues to be utilized as a transit point for illicit drug trafficking between Asia and Europe and the Americas. As part of its anti-narcotics effort, Senegal has proposed the creation of an inter-governmental council to better coordinate the drug enforcement policies of the African nations. Senegal has ratified the UN 1988 Convention, which contains specific anti-money laundering provisions. There has been speculation that narcotics money has been invested in some of Senegal's coastal tourist resorts.

**South Africa.** (Low) The country's relatively sophisticated financial sector has great money laundering potential, probably enhanced by its reemergence into the world economy, and major transportation links. South African law enforcement agencies have neither the skills nor the dedicated manpower to counter the expanded drug threat effectively at this time.

**Sudan.** (No priority) Sudan is one of the poorest countries in Africa. The economic situation is characterized by low growth, rampant inflation, a costly civil war, severe balance of payments deficit, insurmountable foreign debt, and a critical shortage of foreign currency. These problems, combined with tight government control over the banking system, make Sudan an unlikely haven for significant money laundering operations.

**Togo.** (No priority) Togo is not a major financial center nor a significant money laundering center. Togo is a signatory to the 1988 convention.

**Tunisia.** (No priority) Tunisia is not an important regional financial center. It is also not a tax haven or a major offshore banking center. Although the Tunisian government made the Tunisian dinar convertible for current account purposes in spring 1994, restrictions remain on capital account transfers. The small size of Tunisia's banking sector would make attempts to launder sizable amounts of drug money conspicuous. There is a money laundering provision in the 1992 anti-narcotics law. There have been no arrests and/or prosecutions for money laundering in Tunisia. Tunisia is a signatory to the 1988 UN Convention.

**NO REPORTS:**

The following governments were reviewed but reports are not provided in the 1995 money laundering chapter, either because there was no action of significance in 1994 to report or the financial center was of such a low or no priority as not to occasion a report:

Albania, Algeria, Angola, Azerbaijan, Bermuda, Bosnia, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Channel Islands, Comoros, Congo, Cook Islands, Croatia, Djibouti, El Salvador, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Kiribati, Lesotho, Liberia, Libya, Malawi, Maldives, Malta, Mali, Marshall Isl, Mauritania, Mauritius, Micronesia, Monaco, Mozambique, Namibia, Nauru, Niger, No Marianas, Rwanda, Seychelles, Solomon Isl, Somalia, Swaziland, Tajikistan, Tanzania, Turkmenistan, Tuvalu, Uganda, W Sahara, W Samoa, Yemen, Zaire, Zambia, and Zimbabwe.