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**Presidential Documents**

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**Title 3—****Presidential Determination No. 95-15 of February 28, 1995****The President****Certifications for Major Narcotics Producing and Transit Countries****Memorandum for the Secretary of State**

By virtue of the authority vested in me by section 490(b)(1)(A) of the Foreign Assistance Act of 1961, as amended, ("the Act"), I hereby determine and certify that the following major drug producing and/or major drug transit countries/dependent territories have cooperated fully with the United States, or taken adequate steps on their own, to achieve full compliance with the goals and objectives of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances:

The Bahamas, Brazil, China, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Jamaica, Laos, Malaysia, Mexico, Panama, Taiwan, Thailand, Venezuela, and Vietnam.

By virtue of the authority vested in me by section 490(b)(1)(B) of the Act, I hereby determine that it is in the vital national interests of the United States to certify the following countries:

Bolivia, Colombia, Lebanon, Pakistan, Paraguay, and Peru.

Information on these countries, as required under section 490(b)(3) of the Act, is attached.

I have determined that the following major producing and/or major transit countries do not meet the standards set forth in section 490(b):

Afghanistan, Burma, Iran, Nigeria, and Syria.

I have made these determinations, taking into account the factors set forth in section 490 of the Act, and based on the information contained in the International Narcotics Control Strategy Report of 1995. Because the performance of these countries varies, I have attached an explanatory statement in each case.

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



THE WHITE HOUSE,  
Washington, February 28, 1995.

**STATEMENT OF EXPLANATION****The Bahamas**

U.S.-Bahamian drug enforcement cooperation under Operation Bahamas and Turks & Caicos (OPBAT) has been excellent and resulted in a dramatic reduction in the flow of drugs through The Bahamas into the United States, as indicated by vastly reduced drug-seizure levels over the last several years. Nevertheless, The Bahamas remains a major transit country for U.S.-

bound Colombian cocaine and Jamaican marijuana. As a major financial center, The Bahamas is vulnerable to money laundering. The Bahamas is a party to the 1988 UN Convention. The Ingraham government has taken a firm stand against drug trafficking, drug abuse and money laundering and worked diligently during 1994 to fulfill the goals and objectives of the UN Convention and U.S.-Bahamian bilateral counternarcotics accords.

During 1994, Bahamian maritime cooperation with the United States was excellent under the terms of several bilateral agreements and arrangements. The Government of the Commonwealth of the Bahamas (GCOB) moved to improve cooperation with the Cuban government when traffickers intensified their exploitation of Cuban territory to avoid OPBAT enforcement efforts. The GCOB generally responds positively to specific U.S. requests under our Mutual Legal Assistance Treaty. In 1994, the GCOB took judicial action against three public officials for drug-related corruption: a prison official, an immigration officer and a customs officer.

The GCOB took several strong steps to improve its drug-trafficking-control tools. The new U.S.-Bahamas extradition treaty entered into force in 1994. The GCOB also adopted legislation, based on U.S. law, making it a crime to engage in a continuing criminal enterprise related to narcotics trafficking. Working closely with the USG, the GCOB placed special emphasis on strengthening its judicial system by increasing its courts budget, implementing a court automation system, and enacting stronger bail and sentencing legislation.

In 1994, the GCOB drafted stronger money laundering legislation, which it expects Parliament to approve in 1995. When enacted, this legislation will criminalize money laundering. The GCOB agreed to an evaluation of its money laundering controls by the Caribbean Financial Action Task Force, also expected to take place during 1995. We urge continued vigilance by The Bahamas on possible money laundering through shell corporations and international business companies, which are proliferating in The Bahamas and elsewhere in the Caribbean. Although Bahamian law renders the assets of a convicted drug offender subject to forfeiture, in practice asset forfeiture has been difficult to implement. No procedures exist for civil asset forfeiture in narcotics cases.

### **Brazil**

Brazil is a major transit country for cocaine from Colombia destined for the United States and Europe. Increased cocaine and precursor chemical trafficking and money laundering contribute to Brazil's escalating narcotics problem; corruption allegations against counternarcotics officials in Brazil persist.

Despite these problems, Brazil endeavors to meet the goals and objectives of the 1988 UN Convention, and has succeeded in some significant interdiction efforts. The government has made progress towards complying with the UN Convention in law enforcement, asset forfeiture, extradition, and anti-corruption. The Brazilian government generally meets the goals of bilateral counternarcotics agreements with the USG on enforcement and demand reduction.

Brazil's increased seizure rate in 1994 of 11 metric tons of cocaine marks both heightened trafficker use of Brazil and improved abilities of the Brazilian Federal Police Counternarcotics Unit (DPF/DRE). Brazilian non-governmental organizations (NGOs) hosted seminars by U.S. police in schools to voice the message against drug abuse. The DPF/DRE has targeted and disrupted major Cali-connected drug trafficking organizations.

However, the Brazilian government has not hired new police or provided increased funding for the DPF/DRE. The Brazilians have not yet enacted legislation first proposed in 1991 to implement effectively the goals and objectives of the 1988 UN Convention, nor has it drafted a national drug control strategy. Brazil has not yet proposed specialized anti-money launder-

ing legislation, but requires reporting of cash transactions involving amounts over \$10,000.

The international consultative forum, the Dublin Group, has focused worldwide donor attention on the need for Brazil to pay greater attention to counternarcotics issues and urged the GOB to take more vigorous action against its growing drug problem. Newly-elected President Cardoso is expected to take such action to confront narcotics traffickers.

Brazil's former President Franco signed a decree increasing the DPF's licensing and oversight responsibility for chemicals. The DPF/DRE initiated a sea/airport security program, and continued to seize drugs by riverine and ground law enforcement methods. Brazil continues to plan for a radar system (SIVAM), financed by the Export-Import Bank, to detect narcotics trafficking aircraft in the Amazon.

### **China**

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 United States 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.

Chinese enforcement efforts continue to be vigorous and were stepped up in 1994. Strong laws based on a national directive issued in 1990 call for the death penalty for many drug-related crimes. Hundreds of drug criminals are executed in accordance with these laws annually. Narcotics trafficking in Yunnan province, which borders Burma, decreased in the latter part of 1994. The Chinese arrested major figures in two drug trafficking groups based in Burma, the Kokang and the Wa. 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. PRC counternarcotics officials project no increase in national trafficking figures over 1993 levels. 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.

The United States and China do not have a bilateral counternarcotics agreement in place. China has met, or is actively seeking to meet, the goals and objectives of the 1988 UN Convention, to which it is a party, by continuing its efforts to enhance law enforcement measures, public education, and international cooperation.

Illicit opium cultivation exists in remote, often roadless areas of Yunnan province and is suspected to exist in scattered pockets in other parts of China. The authorities are committed to eradicating opium cultivation when it is detected. Yunnan province cultivation is estimated at 1,965 hectares, capable of yielding approximately 25 metric tons of opium gum.

Impediments to bilateral cooperation remain. The Chinese frequently cite the 1993 U.S. court decision blocking the forced return to China of a Chinese drug trafficker ("goldfish case") as an obstacle to U.S.-China counternarcotics cooperation, but these same officials state that they would like to expand bilateral cooperation in the future.

### **Dominican Republic**

The United States Government and the Government of the Dominican Republic (GODR) maintained close, effective counternarcotics cooperation in 1994, despite tensions over the disputed Dominican presidential election and over Haiti. The Dominican Republic intensified its counternarcotics effort and improved interagency/inter-service cooperation under the leadership of the new director of the National Directorate of Drug Control (DNCD).

GODR personnel, working with U.S. law enforcement, made several multi-hundred kilo cocaine seizures in 1994. The GODR was especially helpful in arranging the return of several major drug figures who were fugitives from U.S. justice.

Threat assessments indicate an increased flow of narcotics into the Dominican Republic from Haiti, especially since the September 1991 coup in Haiti. Maritime shipments from Panama are also increasing. The DNCD and Dominican Navy, working in concert with DEA, interdicted one such maritime shipment on November 22, seizing nearly a metric ton of cocaine and uncovering a major smuggling operation.

During 1994, a wide range of USG-financed professional training (law enforcement, drug abuse prevention, financial investigations, and canine handling assessment) was provided to DNCD personnel and other military and civilian officials. The GODR complied fully with its commitments under the bilateral counternarcotics assistance agreement.

The Dominican Republic became a party to the UN Convention in late 1993 and has taken action consistent with the goals and objectives of the UN Convention. Additional legislation, however, is needed in areas such as money laundering and asset seizure to enable the GODR to comply more fully with the Convention. The GODR has been active in the Inter-American Drug Abuse Control Commission and the United Nations Drug Control Program. It hosted the 1994 United Nations Heads of Narcotics Law Enforcement Agencies Conference for Latin America and will host the Latin American International Drug Enforcement Conference in April 1995. It has established cooperative relationships with a number of other governments in the hemisphere, most recently signing a bilateral drug cooperation agreement with Venezuela.

The GODR still faces many challenges in establishing an effective national anti-drug effort. While it has taken steps to address narcotics-related and other official corruption, corruption continues to undermine GODR law enforcement efforts. Anti-drug legislation, while strengthened, has serious flaws; in the area of money laundering control, for example, the Dominican legislature removed prison sentences, leaving only moderate fines for bankers convicted of involvement in laundering activities. The GODR will resubmit the package in 1995 to correct this.

### **Ecuador**

Ecuador is a bridge between the world's largest supplier of coca leaf, Peru, and the world's major processor of cocaine hydrochloride, Colombia. Traffickers use Ecuador as a transit point to ship 30-50 metric tons (mt) of cocaine per year to the United States and Europe, as well as to smuggle chemicals into Colombia for cocaine processing. Money launderers take advantage of Ecuador's loose banking laws and extensive offshore banking system to conceal the illicit nature of their proceeds.

Ecuadorian judges are subject to trafficker intimidation and subornation, which has obstructed efforts to bring Cali-connected kingpin Jorge Reyes Torres to justice. Corrupt judicial practices have precluded indictments in Reyes Torres-related cases, specifically the Banco De Los Andes case. Stronger resolve by the Government of Ecuador (GOE) to confront judicial corruption will be necessary to successfully conclude the Jorge Reyes Torres case and other counternarcotics initiatives.

Ecuador made significant strides this year toward complying with the 1988 UN Convention, to which it is a party. The government has taken steps to generally meet the goals of bilateral counternarcotics agreements with the USG on enforcement, demand reduction, and prosecutions of major narcotics traffickers. The GOE enacted a law based on OAS model legislation on asset sharing and completed a study to determine the amount of licit chemical use in Ecuador.

However, the Ecuadorians should strive to control trafficking in precursor and essential chemicals by creating an effective monitoring and control system based on the results of the completed study. Ecuador is making efforts to control money laundering by involving the police, Superintendency of Banks, and the National Drug Council (CONSEP) in collaborative investigations.

The USG has provided Thrusch aircraft to identify illicit crop cultivation in Ecuador. None was discovered in 1994, but search flights will continue in 1995. Ecuador is progressing in implementing its National Drug Strategy. Ecuador signed an asset-sharing agreement with the USG in 1994. A limited amount of asset-sharing has already taken place based on this agreement. The Ecuadorians used the funds for law enforcement purposes. Ecuador continues to work toward sharing the remainder of \$3 million in assets forfeited in the Reyes Torres investigation.

The USG counternarcotics assistance program helps Ecuador to reduce money laundering, control essential chemicals, and buttress the judiciary's ability to preserve democracy by enforcing the rule of law.

### **Guatemala**

The Government of Guatemala (GOG) has successful programs to reduce demand, cultivation, and transit of illicit narcotics.

With USG technical support, specially trained units of the Guatemalan Treasury Police conduct ongoing eradication that has reduced opium poppy cultivation to minimal levels. Persistent attempts to revive poppy cultivation are the focus of a continuing suppression program which includes detection and eradication.

Guatemala's hundreds of small, unmonitored airfields connected by good roads appear to have almost been forsaken by traffickers moving cocaine in small planes to the United States from South America. In response to DEA's Operation Cadence and GOG vigilance in-country, traffickers are increasingly transporting drugs overland and by sea. During 1994, over 1.5 metric tons of cocaine were seized outside Guatemala as a result of Guatemalan-based intelligence. Almost two metric tons were seized in-country.

The GOG's aggressive investigation, interdiction and eradication operations are consistent with the goals of the 1988 UN Convention, to which Guatemala is a party. However, Guatemala lacks legislation needed to implement the Convention in areas such as money laundering and essential chemical control. Money laundering has not been criminalized in Guatemala and is not considered a significant problem.

Corruption, especially in the judicial branch, is a major problem in Guatemala. The GOG has begun to focus attention on corruption, particularly in the courts where several judges were relieved of their positions for releasing prisoners under allegedly questionable circumstances. The GOG does not, as a matter of policy or practice encourage or facilitate illicit narcotics production or distribution, or laundering of drug proceeds.

Guatemala continues to accomplish the goals of its bilateral narcotics agreements with the USG for drug eradication, interdiction, and demand reduction. The USG is working with the GOG to implement cost reductions while retaining the high level of effectiveness demonstrated by Guatemala's counternarcotics programs.

### **Haiti**

Because of its ideal geographic location for smuggling, the island of Hispaniola has long been a significant transit point for cocaine destined for U.S. and European markets. The unstable political situation and weak government institutions in Haiti facilitated narcotics trafficking for many years. The opportunities for traffickers to take advantage of these conditions were even greater after the September 1991 coup which ousted President Jean Bertrand Aristide. Multi-hundred kilo and multi-ton shipments of cocaine

transited the country frequently. The USG has received credible, but unsubstantiated, reports for many years that the Haitian military was involved in assisting traffickers. However, the USG was unable to determine the veracity of reports that the *de facto* regime or the military hierarchy secretly condoned such activity.

Until the legitimate government of Haiti was restored in September 1994, the USG maintained only limited counternarcotics cooperation with the *de facto* regime in Haiti, largely through the Haitian Center for Information Coordination (CICC), which the United States helped establish in 1987. The *de facto* government undertook some drug enforcement efforts and made a number of cocaine seizures in the 2–60 kg range in 1993–1994, some in cooperation with USG law enforcement personnel from the U.S. Embassy. However, suspected multi-ton shipments transited Haiti unimpeded until the country was subjected to an international maritime blockade in April 1994.

Drug trafficking was among the six issues President Clinton listed in early 1994 as key areas of U.S. concern relating to Haiti. Growing drug trafficker influence in Haiti may well have impeded the return of democracy, sound administration of justice and economic recovery. The Aristide administration, working with the international community, has initiated an extensive administration of justice and police reform program. Former military and police personnel suspected of involvement in drug trafficking are being excluded from the new civilian police corps and the reorganized military.

This massive and critical reform is the most important step that the Government of Haiti can take at this stage to attack the narcotics problem at its core. Since the restoration of the Aristide government, the USG-led Multinational Force and the International Police Monitors have played a large role in law enforcement in Haiti. These efforts have included control of the major ports and airfields, and supervising and monitoring the interim Haitian police. This, and all other relevant activity, is undertaken with the full concurrence of the Haitian government. The Aristide government cooperated completely with the United States in all aspects of this effort.

In the future, the restored Aristide government will need to take a number of other measures to address drug trafficking more effectively: it should become a party to the 1988 UN Convention, establish a national council to coordinate Haitian counternarcotics activities, implement money laundering controls, and forcefully address the problem of narco-corruption within the police and military forces.-

### **Hong Kong**

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. Hong Kong takes serious and effective measures to combat narcotics trafficking. Nevertheless, Hong Kong remains an important transshipment center for heroin from Southeast Asia. Due to enforcement efforts and changes in trafficking patterns, the volume of drugs passing through Hong Kong seems to be dropping. The amount of heroin detected transiting Hong Kong for Taiwan, Japan, and the United States fell during 1994 and heroin arriving in Hong Kong is increasingly intended for domestic consumption.

The USG is not aware of any narcotics-related corruption among senior government or law enforcement officials in Hong Kong. Hong Kong has a comprehensive anti-corruption ordinance that is effectively enforced by an independent commission that reports directly to the Governor.

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 improves the Hong Kong Government's (HKG) ability to prosecute money launderers. 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 UN Convention.

There is a bilateral narcotics agreement, which facilitates asset freezing and asset forfeiture. The Hong Kong Government and the USG have worked closely together on U.S. extradition requests, although there is some concern that overly strict application of Hong Kong evidentiary requirements has made extradition difficult in some cases. Overall bilateral cooperation on drug enforcement efforts is very good.

### **India**

India is the world's largest producer of licit opium and the largest supplier to the U.S. pharmaceutical industry. Opium is diverted from legal production, and there is substantial illicit opium cultivation in certain districts. India is also a transit route for heroin from nearby producing countries, and an exporter of methaqualone and heroin precursor chemicals en route to the Middle East, Africa, Europe and North America.

As a licit producer of opium, India must meet an additional certification requirement. In accordance with Section 490(c) of the Foreign Assistance Act, it must maintain licit production and stockpiles at levels no higher than those consistent with licit market demand and take adequate steps to prevent significant diversion of its licit cultivation and production into illicit markets and to prevent illicit cultivation and production.

The United States and India conducted an intensive dialogue on narcotics issues, with meetings of a Joint Working Group and a 1994 visit by Dr. Lee Brown. With U.S. encouragement, India maintained during 1994 a promising narcotics dialogue with Pakistan on cross-border smuggling of heroin and precursor chemicals, despite poor bilateral relations in other areas.

Over the past several years, the Government of India (GOI) has taken steps to reduce licit opium stockpiles and the potential for diversion of licit opium to the illicit market. The total area licensed for cultivation was kept at about 14,000 hectares (ha) in the 1993/4 crop season and physical controls on harvested opium were enhanced. In 1994, in the course of taking the first physical inventory in many years, it became clear that real stocks on hand were far lower (by 800 metric tons) than official inventories and that supplies were insufficient to fulfill 1994 contractual requirements. An International Narcotics Control Board audit described the failure to have maintained adequate inventory records as a violation of the 1961 Single Convention on Narcotics Drugs. No adequate accounting of several hundred tons of the discrepancy between book stocks and real stocks has been made. New storage and accounting controls put into place in 1994 should reduce potential for diversion from licit stocks.

To combat large-scale diversion by growers, the GOI has slowly increased minimum qualifying yields (MQY) on licensed growers. MQY was raised from 40 kg per ha to 43 kg/ha for the 1994/5 growing season. An unreleased GOI crop survey reportedly suggests that MQY could be raised by a substantially greater amount. The United States raised with India the need for a scientific crop yield survey in the near future so that MQY can be raised to a level high enough to prevent substantial diversion to the illicit market.

To cope with the 1994 opium shortfall and rebuild an appropriate reserve stockpile, the GOI decided in 1994/5 to expand the cultivated area to about 24,000 hectares, but to improve security by concentrating production in a more limited region, granting additional hectareage to farmers with a history of high yields, and delicensing some 40,000 farmers whose opium deliveries to the GOI fell below the MQY. This expansion in cultivated area raises concern about the potential for increased diversion.

The Government of India cooperates well with the United States on individual cases of trafficking. There has been little success, however, in cracking major smuggling rings, pointing up a continuing lack of resources and personnel, including lack of intelligence-gathering capability and high-level political

support, allocated to narcotics enforcement. There were no seizures of heroin laboratories in 1994. The United States has no specific knowledge of any senior GOI officials encouraging or facilitating trafficking or money laundering. Allegations of corruption among lower-level judicial and law enforcement personnel are widespread, but successful prosecutions rare.

Illicit cultivation of opium is concentrated in the state of Jammu and Kashmir, in remote areas of Uttar Pradesh, and in other areas where political disturbances and inadequate enforcement resources kept GOI eradication efforts to a minimum. The GOI cited bureaucratic difficulties in turning down a U.S. offer of partial U.S. funding for an aerial crop survey in 1994. Illicit opium production is estimated to be in the range of 80 metric tons on 5,500 hectares, with reported eradication of about 100 hectares.

India is a party to the 1988 UN Convention and has made some progress toward precursor chemical control and law enforcement cooperation. However, India has not yet passed asset seizure legislation or implemented recommendations of the Financial Action Task Force. Although India did not sign a bilateral agreement with the United States in 1994, the goals of a 1993 agreement aimed at improving security at the opium factories are being achieved.

India fulfilled the requirement of FAA Section 490(c) to maintain licit production and stockpiles at levels no higher than consistent with market demand. The GOI addressed a number of the specific U.S. concerns expressed in 1994 bilateral narcotics consultations, which focussed on better controls on licit opium production. For 1994, India's efforts to impose necessary controls on licit opium and cooperation with DEA and other endorsement agencies justify continued certification. In 1995, significant additional steps will need to be taken if full certification is to continue. Areas of outstanding concern include: quantifying real licit opium yields; revising MQY to appropriate levels; eradicating illicit cultivation; taking effective action against major narcotics trafficking syndicates and kingpins; and implementing effective measures on money laundering and asset seizure.

### **Jamaica**

Jamaica is both a major producer of marijuana and a flourishing transshipment site for South American cocaine en route to the United States, The Bahamas, Canada and Europe. There is scant evidence of money laundering at this point. Jamaica is not yet a party to the 1988 UN Convention. However, the Government of Jamaica (GOJ) took adequate steps during 1994 to fulfill the goals and objectives of both the Convention and U.S.-Jamaican counternarcotics agreements.

The GOJ made progress during 1994 in strengthening its narcotics control effort. Jamaica's Forfeiture of Assets Act, which allows for criminal but not civil forfeiture, went into effect in August. The GOJ also amended its Dangerous Drugs Act to provide for tougher fines and longer imprisonment for drug offenders. The GOJ continued work on money laundering control legislation and expects to present it to Parliament before April 1995. With the adoption of money laundering legislation, Jamaica will have the full range of implementing legislation for the 1988 UN Convention, which it then intends to ratify. In 1994, the GOJ submitted to Parliament enabling legislation to permit Jamaican ratification of the U.S.-Jamaica Mutual Legal Assistance Treaty, and the GOJ expects passage soon.

Throughout 1994, the GOJ continued its excellent cooperation on extradition. GOJ drug enforcement agencies also continued to cooperate well with the U.S. Drug Enforcement Administration (DEA). These agencies have recognized the need to bring major traffickers to justice and break up trafficker networks and are taking appropriate steps. Recognizing the necessity of prompt prosecution and conviction, the GOJ has begun to work with the USG on judicial reform, the objectives being to improve the flow of cases through Jamaica's court system and obtain more convictions. Although we know of no GOJ prosecutions of officials for corruption in 1994, the GOJ,



and especially the Police Commissioner, has attempted to de-politicize the police force and control corruption, largely by transferring suspect personnel. The Commissioner fully supported the USG's revocation of the visas of several police officers suspected of drug trafficking, as permitted under U.S. law. The GOJ's major demand reduction program, a UNDCP-funded project, is not making appreciable progress at this time due to internal problems within the National Council on Drug Abuse.

During 1994, the GOJ revitalized its marijuana eradication program. In November, the Jamaica Defense Force (JDF), Jamaica Constabulary Force (JCF) and DEA cooperated to estimate the total amount of illegally-grown marijuana. The JDF and JCF quickly organized a task force to eradicate the marijuana detected during the estimation exercise. During 1994, the GOJ eradicated 692 hectares of marijuana, a 52 percent increase over 1993 eradication.

### **Laos**

Laos is not a party to the 1988 UN Convention, but has drafted a comprehensive drug control program that commits it to the goals of the Convention. As part of this program, the government has pledged to become a party to the Convention no later than the year 2000. A letter of agreement on counternarcotics signed in 1989 is the basis for ongoing drug control projects funded by the USG. These projects consist of an alternative crop development project and a law enforcement support project. In 1994, police units supported by the law enforcement project became operational and began to make arrests. Road building, dam site preparation and other basic development work was undertaken in the crop development project.

Based on USG estimates, Laos remains one of the world's major producers of opium, although production has been on a declining trend since 1990. Due primarily to weather, opium cultivation and yield fell sharply during the 1993/4 growing season. USG estimates for the 1994 crop show a decrease in cultivation of approximately 29 percent, from 26,040 hectares in 1993 to 18,520 in 1994. Production of opium gum dropped even more significantly, from about 180 metric tons in 1993 to only 85 metric tons in 1994, a decline of 53 percent. Opium cultivation is not illegal under existing statutes.

In the past year, the Lao government has moved forward in its anti-narcotics efforts through continuation of both bilateral and multilateral programs. Bilateral agreements signed with the USG continued the crop control project in Houaphan Province and the law enforcement project. An additional crop control project has been approved, which will be implemented by Norwegian Church Aid/UNDCP. An active UNDCP program also operates an alternative development program aimed at opium crop control. The Lao special counternarcotics unit, which was formed as a result of the 1992 bilateral USG-Lao law enforcement project agreement, is now functioning and had some successes in 1994 in heroin interdiction efforts. Lao customs has worked closely and effectively with the special unit in several significant seizures of illicit drugs and in follow-on investigations.

There have been allegations of military and official collusion in narcotics production and trafficking, but there is no solid evidence of official corruption. Lao government employees receive low pay, making them susceptible to corruption and low-level corruption is assumed to exist. 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.

### **Malaysia**

Malaysia ratified the 1988 UN Convention in 1993 and has worked cooperatively with the USG, as well as taking adequate steps on its own, to fulfill the Convention's goals and objectives. The USG and the Government of Malaysia (GOM) continue strong antinarcotics cooperation. Several important steps forward in bilateral cooperation were made this year. The two govern-

ments renewed efforts to collect and analyze intelligence on international drug trafficking, and the Drug Enforcement Administration and the Royal Malaysian Police restored their cooperative relations. A bilateral agreement to assist in demand reduction programs is being implemented effectively. Negotiations for a new U.S.-Malaysia extradition treaty are proceeding.

The Government of Malaysia considers the narcotics problem a priority issue. Malaysia pursues an aggressive enforcement policy under one of the most severe drug laws in the world. A well-funded counternarcotics program emphasizes both enforcement and demand reduction.

Illicit heroin processing, heroin trafficking, and growing addiction continue to be serious problems in Malaysia. Traffickers smuggle heroin base into Malaysia from Thailand and Burma and refined heroin continues to transit Malaysia en route to the United States and other Western markets.

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 and gang members are believed to be involved in attempts to engage law enforcement officials in various forms of corruption. Corruption continued to be addressed by law enforcement agencies. The Royal Malaysian Police 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.

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 Malaysian government is concerned that a new offshore financial center may be vulnerable to money laundering activities and is looking for ways to head off this threat.

### **Mexico**

The United States Government and the Government of Mexico (GOM) maintained close counternarcotics cooperation in 1994, the final year of the Salinas administration, in keeping with the commitments of the bilateral agreement on cooperation in combatting narcotics trafficking and drug dependency (Chiles Amendment Agreement). Mexico continued its multi-faceted national campaign against production, trafficking and abuse of illegal drugs, meeting many of the goals and objectives of the 1988 UN Convention. However, the results of this campaign were mixed, with cocaine seizures falling to the lowest level of Salinas' tenure (about 21 mt) and few major traffickers arrested and prosecuted. Narco-corruption remains a serious impediment to effective drug law enforcement. Eradication of opium poppy and cannabis also declined substantially. One factor causing the decline may have been the diversion of military personnel and resources to handle the political uprising in the state of Chiapas. On the positive side, heroin seizures increased to about 300 kilograms, more than the previous five years combined. Seizures of precursor and essential chemicals and destruction of clandestine laboratories likewise increased. Money laundering, particularly the large-scale conversion of cash from the United States, remains a major problem in Mexico, which the GOM has not yet effectively curbed.

The decline in cocaine seizures was due to a number of factors. Much of the Mexican Attorney General's Office was devoted to investigating the assassinations of the leading Presidential candidate and the Secretary General of the ruling PRI party. Also, to avoid detection by U.S. and Mexican air interdiction systems, traffickers increased the use of fast moving cargo jets, each transporting huge quantities of cocaine into Mexico. Only one of these aircraft was seized; the U.S. and Mexican governments are sharing intelligence and upgrading equipment to address this situation.

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

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

### **Panama**

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

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

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

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

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

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

### **Taiwan**

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

have made drug enforcement a priority and heroin seizures have risen sharply, climbing to over one metric ton in 1993.

Taiwan is not a party to the 1988 UN Convention, but the vigorous drug enforcement campaign mounted by the Taiwan authorities demonstrates substantial progress toward meeting some of the goals of the Convention, and shows Taiwan is taking adequate steps on its own to address the problem of heroin trafficking. However, legislation and agreements do not yet exist to implement the provisions of the Convention regarding asset forfeiture, controlled delivery, extradition, mutual legal assistance and illicit traffic by sea. Taiwan authorities have expressed an interest in developing agreements in some of these areas. There were no reported incidents of police corruption involving drugs. There is no evidence of senior Taiwan officials being involved with the illegal drug trade.

Working cooperation between the Drug Enforcement Administration and both the Taiwan National Police and the Ministry of Justice Investigation Bureau has been good. Efforts are being made to enhance enforcement cooperation and Taiwan authorities have expressed interest in entering into a bilateral counternarcotics agreement under the auspices of the Taipei Economic and Cultural Representative Office in the United States and the American Institute in Taiwan.

### **Thailand**

Thailand is the main transit route for the illicit drug production from the Golden Triangle. Successful eradication and development efforts have reduced opium cultivation far below the amounts grown in the neighboring countries of Burma and Laos. Due to the efforts of the Thai Government authorities, 1994 cultivation of illicit opium was only 2,110 hectares, yielding 17 metric tons of opium.

Drug enforcement cooperation is very good and improved even further in 1994. In a precedent-setting cooperative law enforcement operation, the Royal Thai government in November 1994 arrested ten major traffickers under indictment in the United States who form part of drug lord Khun Sa's Shan United Army (SUA) infrastructure and proceedings to extradite the fugitives to the United States are now pending in Thai courts. During 1994, Thailand also took action to close off its northern border, reducing the flow of supplies and other logistical support to the SUA in Burma. Efforts continue to enhance judicial cooperation and the Thai Cabinet has just moved to permit the courts to consider the extradition of a former Thai Member of Parliament under indictment in the United States on large-scale 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 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-related corruption of some politicians and police officials remains a problem.

A bilateral agreement with the United States supports law enforcement cooperation and crop control, including eradication of opium poppies and Thailand has performed well under that agreement. Thailand is not a party to the 1988 UN Convention, but is a party to the 1961 Single Convention on Narcotic Drugs, its 1972 Protocol, and the 1971 Convention on Psychotropic Substances.

### **Venezuela**

Venezuela is a major drug transit country. Traffickers ship an estimated 100–200 metric tons (mt) of cocaine annually through Venezuela. Precursor and essential chemical trafficking and money laundering are also serious problems in Venezuela. The Venezuelan judiciary's marginal ability to resist

the corruptive influence of traffickers has hampered counternarcotics efforts in that country.

Venezuela has taken adequate steps to meet the goals and objectives of the 1988 UN Convention, to which it is a party, especially in its vigorous response to illicit crop cultivation. Venezuela quickly eradicated in 1994, with USG assistance, over 1,000 hectares of coca and opium poppy cultivation in Zulia state near its western border with Colombia. The government generally meets the goals of bilateral counternarcotics agreements with the USG. In addition, the Venezuela-Colombia border agreement to keep Venezuela free of narcotics traffickers and the successful eradication effort indicates serious Government of Venezuela (GOV) interest in preventing traffickers from making incursions into Venezuela.

Seizures of cocaine increased in 1994 to 5.0 mt, indicating both more trafficker use of Venezuela and better interdiction of cocaine by Venezuelan counternarcotics forces. Venezuela's bilateral agreement with the United States to conduct counternarcotics air interdiction operations reflects invigorated cooperation on strategic initiatives.

In 1994, the Guardia Nacional (GN) seized 5.0 mt of cocaine and 15 kilograms (kg) of heroin. However, the recent arrests of two GN members for trafficking 250 kg of cocaine through Maiquetia Airport evinces corruption problems at lower levels in the organization. The GN quickly removed the two soldiers and began an investigation of the unit.

Although President Caldera has spoken out strongly against narco-corruption, most recently at the December Summit of the Americas, corruption in Venezuela remains a serious problem. A convicted trafficker, Larry Tovar Acuna, fled to Colombia after fraudulently obtaining a pardon, and the Venezuelan government made an extradition request to Colombia for Tovar. In addition, a corrupt judge released members of the Sinforoso Caballero money laundering organization. The Venezuelan Supreme Court reopened the case and investigated the judge.

Venezuela has not yet approved its draft national counternarcotics strategy and has not begun to control precursor and essential chemicals. With more attention from President Caldera, Venezuela's compliance with bilateral agreements on chemical control and money laundering measures should improve.

### **Vietnam**

The Socialist Republic of Vietnam has a significant opiate abuse problem and is emerging as a location for drug trafficking. Illicit opium production exceeded 1,000 hectares, but the precise extent of cultivation remains unclear. Estimates have ranged as high as 14,000 hectares during the 1992/3 growing season. The government is undertaking a serious eradication effort and has pledged to eliminate opium cultivation, which exists primarily in relatively inaccessible regions of the north.

Opiate addiction in urban areas is a serious problem. The government, with the aid of the United Nations International Drug Control Program (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 Taiwan, the United States and other locations.

Corruption is a complicating factor in domestic enforcement efforts, but there is no evidence that the government tolerates, condones or profits from drug trafficking activity.

The government is not a party to the 1988 UN Convention, but is developing a program to work toward fulfillment of the goals and objectives of the Convention. This program is embodied in the drug control plan being drafted with the assistance of UNDCP. In coordination with UNDCP, the government is drafting legislation that meets the goals of the Convention.

There is no bilateral counternarcotics agreement between the United States and Vietnam. However, informal discussions have begun between representatives of the Socialist Republic of Vietnam and the USG about counternarcotics cooperation and the Vietnamese response has been positive.

## VITAL NATIONAL INTERESTS JUSTIFICATION

### Bolivia

Bolivia is the world's second largest producer of coca leaf after Peru and the second largest producer of cocaine after Colombia. Most of the cocaine refined from Bolivian coca leaf is consumed in the United States.

Bolivia was highly successful in counternarcotics law enforcement operations during 1994. The Government of Bolivia (GOB) conducted four major operations designed to block trafficker movements, seized two large cocaine HCl laboratories, and arrested major traffickers with links to the Medellin drug mafia. GOB forces foiled Colombian traffickers and their Bolivian accomplices attempting a prison break at a maximum security facility and arrested the prison warden for complicity in the plot. Throughout 1994, the GOB continued its probe of alleged trafficker ties to former President Jaime Paz Zamora and members of his Movement of the Left (MIR) political party. In June, the Bolivian Congress removed two Supreme Court justices for corruption.

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.

In February 1994, the GOB briefly undertook a campaign of forced eradication which resulted in a violent reaction by coca growers. Voluntary, compensated eradication dropped off sharply and new plantings increased, resulting in a net increase in the area of coca under cultivation.

The Sanchez de Lozada administration has supported USG efforts to extradite drug traffickers, but such efforts stalled in the Bolivian Supreme Court in 1994. In early 1995, however, prominent trafficker Jose Faustino Rico Toro was declared extraditable. Thirty-five other extradition requests by the United States are pending with Bolivia. The GOB has declined to sign an extradition treaty negotiated in 1990, but in early 1995, the Sanchez de Lozada administration proposed a new draft treaty, which USG officials are reviewing.

It is in the vital national interests of the United States to maintain and increase the level of cooperation with Bolivia, the world's second largest coca and cocaine producer. Denial of certification would likely terminate much of Bolivia's multilateral development bank assistance, which would have an extremely harmful effect on the Bolivian economy. It would reduce significantly the resources available to the GOB to combat narcotics trafficking and would foster conditions in which more Bolivians would be driven to engage in illicit coca cultivation and trafficking.

Because the World Bank and Inter-American Development Bank are Bolivian's largest aid donors, USG opposition to loans to Bolivia by those institutions would result in strident calls within Bolivia for the GOB to cease its counternarcotics cooperation with the USG. Economic instability could lead to a loss of confidence throughout the country and thereby serve to undermine Bolivia's still-fledgling democratic institutions. Should Bolivia's current democratically-elected government be followed by an authoritarian regime, narcotraffickers might gain a strong foothold, as they did in the corrupt dictatorships of the early 1980's. Preserving and promoting democracy in Bolivia is in the U.S. national interest of enhancing democracy throughout the Western Hemisphere.

In 1994, although the GOB's efforts and cooperation with the USG on interdiction and on broader political issues were substantial, its overall

counternarcotics efforts were not adequate to meet the goals and objectives of the 1988 UN Convention. Nevertheless, the risks posed to vital U.S. national interests from the possible consequences of terminating U.S. assistance, as noted above, greatly outweigh the risks posed by the lack of complete GOB cooperation on counternarcotics. With recent positive signs of action from the GOB, the USG will enter into further discussions to secure commitments for action in key areas.

### **Colombia**

In 1994, Colombia remained the world's largest supplier of cocaine and the source of virtually all the cocaine imported into the United States. There are currently more than 111,000 acres (45,000 hectares) of coca being cultivated, a 13.3 percent increase over 1993 and, if such cultivation is not contained and crops are not eradicated, Colombia could soon surpass Bolivia as the second largest source of coca after Peru. Colombia is also a significant supplier of heroin and one of the largest cultivators of opium poppy in the world, along with Burma, Afghanistan and Laos. Recent data indicate that after having been suppressed over the last few years, Colombia's marijuana cultivation and export to the United States is again increasing. The expected diminution in the movement and flow of narcotics originating in Colombia as a result of the destruction of the Medellin syndicate in 1993 did not materialize. It is apparent that the removal of Pablo Escobar and his drug empire from the Colombia narcotics scene only benefited the now-dominant syndicate headquartered in the city of Cali.

During 1994, the USG and the Government of Colombia (GOC) collaborated on a number of fronts against the scourge of narcotics trafficking in both countries. The GOC had some successes. GOC performance on a number of critical issues, however, was inadequate. Among the successes attained by the GOC were ratification of the 1988 UN Convention which entered into force for Colombia in September 1994, the legalization of the herbicide glyphosate for use against coca cultivation, the defeat of a bill in Congress supported by narco-traffickers that would have diluted the existing illicit enrichment law, the indictment of Miguel Rodriguez Orejuela, and an aerial eradication campaign against illicit cultivation, which the GOC has pressed in the face of large-scale protests by the cultivators. Colombia remains the only producer of coca currently permitting aerial eradication of illegal crops.

Individual police and other officials operating at the ground level show considerable determination to bring narcotics traffickers to justice. Sporadic and ambivalent support by some quarters of the Colombian political establishment prevents significant damage to the Colombian drug syndicates. In 1994, the GOC took no legislative steps to reverse the 1993 revision of the criminal procedures code which made it more difficult to bring mid-level and senior syndicate heads to justice. As a result, following the trend set in 1993, there were no arrests, incarcerations, or fines imposed on such traffickers. In addition, a number of previously convicted traffickers were able to benefit from significant reductions in their sentences pursuant to Colombia's woefully lenient sentencing laws. The GOC's inability to protect and use information provided to them by the U.S. Justice Department has made impossible a full resumption of our previous law enforcement evidence-sharing relationship. The GOC has been informed that evidence obtained in the United States will not be provided for any new criminal cases pending a successful resolution of old cases for which we have provided evidence.

In 1994, total drug seizures through interdiction efforts were above those of 1993 but did not reach the levels accomplished in 1991 (86.35 mt) as the USG had recommended to the GOC. Performance on eradication has improved, but results to date have not met expectations. Even with increased USG-provided air and herbicide assets, the amount of opium poppy eradicated was almost 50 percent less than in 1993. As for coca the numbers are impressive (4,500+ hectares vs. 793 ha in 1993). They might have been

greater had not local grower protests temporarily brought the program to a near halt in December.

In excess of 15,000 active criminal corruption investigations have been filed by the Attorney General against government officials, including 21 Colombian members of Congress. In 1994, there were no senior government officials indicted for corruption. Although Colombia and the United States in 1980 signed a Mutual Legal Assistance Treaty, Colombia has failed to ratify the treaty, and it has not entered into force. The Colombian Congress did not pass bills introduced by the Samper administration to counter money laundering activities and asset retention by illegal enterprises and those who participate in them. There was insufficient progress to detect and remove those corrupt officials primarily involved in counternarcotics efforts. There continues to be a problem with drug syndicate control of sovereign territory, such as San Andres Island.

The performance of two successive governments of Colombia during 1994 on the counternarcotics front did not meet the expectations agreed upon between our governments in numerous official and non-official meetings on the subject. Certain performance criteria were set out with the GOC in order to advance our joint commitments to this problem. Despite a national election and promises by the new government, Colombia did not meet these performance criteria nor did it take adequate steps on its own to achieve full compliance with the goals and objectives established by the 1988 UN Convention. As a result, the activities of the Colombian drug syndicates continue to ensure that the flow of cocaine, heroin and marijuana from Colombia to the United States remains undiminished.

There was a demonstrable absence of support by some quarters of the political establishment to buttress the gains achieved by GOC institutions operating at the ground level. There were no efforts made in the areas of judicial reform, capture and incarceration of syndicate heads, or the strengthening of executive institutions to counter the successful efforts of the trafficking syndicates. Lack of action by the Congress on GOC-introduced legislation also remains a problem.

Vital U.S. national interests would be at risk if we were to deny Columbia certification. As Colombia is the primary source of cocaine to the United States, continued cooperation with the GOC is very important to this country. A vital national interest certification will ensure that USG policy and assistance remain focused on developing more effective Colombian anti-drug efforts, while acknowledging that GOC actions to date have not had the desired impact on the flow of illegal narcotics to the United States. Further, such a certification allows the United States to continue working closely with Colombia on the other important issues on our bilateral agenda: promoting human rights, advancing free trade, and cooperating in international fora.

If Colombia were not certified, the USG would be required to vote against multilateral development lending. Termination of such assistance would have an adverse effect on the Colombian economy, reducing the resources available to the GOC to combat narcotics trafficking and fostering conditions in which more Colombians would be encouraged to engage in illicit coca cultivation and trafficking. Moreover, Colombia would find it more difficult to get international donors to help fund its projected alternative development scheme. Columbia's planned purchase of a U.S. radar system using Export-Import Bank financing would be cancelled, further reducing Colombia's interdiction capabilities.

While the GOC needs to do more in its efforts against drugs, the decrease in narcotics cooperation that would likely attend denial of certification would result in even more narcotics entering this country. Decertification would result in strident nationalistic calls on the GOC to cease its CN cooperation with the USG. In short, the risks associated with denying certification to Colombia are greater than the risks associated with Colombia's failure in the last year to cooperate fully with the United States, or to



take adequate steps on its own, to combat narcotics. Continued cooperation with the GOC will serve our drug control interests. Contrary to our national interests, the net result of decertification would be an increase in the flow of narcotics from Colombia to the United States and in the number of deaths among American drug victims.

### **Lebanon**

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 in 1994 and the number of heroin and cocaine laboratories increased significantly. 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.

The threat posed to the United States by drug trafficking and processing in Lebanon remains real. However, Lebanon's inability to confront in a wholly successful manner the narcotics threat, or to cooperate fully with the United States reflects, in part, the weakness of its institutions and regional political dynamics. Moreover, the stability, peace, and economic development of Lebanon are important to the stability of the Middle East region. The United States' vital national interests in continuing assistance to Lebanon and in furthering regional stability outweigh the threat posed by drug trafficking through Lebanon to the United States.

### **Pakistan**

Pakistan is both a producer and an important transit country for opiates destined for international drug markets. Laboratories in Pakistan's Northwest Frontier Province process opium grown there and in neighboring Afghanistan. The USG estimates that about one-tenth of heroin consumed in the United States originates in Southwest Asia, much of it produced in the illegal labs in Pakistan. During the 1993-94 crop year, Pakistan produced about 160 metric tons of opium from about 7,300 hectares of poppy.

Despite limited progress in some areas, in 1994 the Government of Pakistan laid the foundation for significant progress in early 1995.

The GOP extended, by decree, the 1930 Narcotics Law to the tribal areas, increased significantly seizures of opium and heroin, increased financial resources devoted to combatting illicit narcotics processing and trade, and in several meetings with Government of India officials agreed to expand counternarcotics cooperation. It also initiated twelve new asset seizure cases in 1994 and used the media to alert the public to the GOP counternarcotics efforts and the dangers of narcotics.

There was limited progress in other areas. Despite the GOP extension of the 1930 Narcotics Law to the frontier areas, few major drug traffickers were arrested or prosecuted during calendar year 1994. None of the new asset seizure cases has been prosecuted. Pakistan marginally extended the

opium cultivation ban while eradication equaled only 1993's total eradication. Poppy cultivation was up 16 percent in 1994, although the overall level of cultivation has remained more or less constant over the last five years.

By year end, Pakistan had drafted and vetted legislation to bring Pakistani law into conformance with the 1988 UN Convention, to which Pakistan is a party, and to prevent drug money laundering. President Leghari promulgated the legislative package as a temporary decree January 9, effective for 120 days after disagreements in the cabinet precluded submission to the National Assembly. Legislative action will be required to make it permanent. Politically difficult efforts to curb corruption in GOP law enforcement agencies and the courts have been modest.

Building on the foundation laid in 1994, Pakistan intensified its anti-narcotics efforts in 1995. The government began an eradication campaign in Bajaur Agency in January 1995 and created a demand reduction office. It also announced on January 25 that it had frozen \$68 million in assets of narcotics traffickers. In a late January raid on a drug warehouse in the Northwest Frontier Province, 132 metric tons of drugs, primarily hashish, were seized. Recently, the GOP indicated a willingness to proceed expeditiously on outstanding extradition requests. Pakistan recently expanded the poppy ban in the NWFP.

Vital U.S. national interests could be damaged if Pakistan were to be denied certification. Pakistan is a strategically-located, moderate Islamic state with a nuclear weapons capability. Pakistan has provided troops for UN peacekeeping operations, most recently in Bosnia and Somalia, and has cooperated in the international fight against terrorists. The Government of Pakistan has also used its moderating influence with other Islamic countries. Decertification would be viewed in Pakistan as abandonment of a loyal ally and would endanger U.S./Pakistani dialogue and cooperation on these vital issues. It could also undermine Pakistan's ongoing efforts to address the drug problem, including cooperation by Pakistani anti-narcotics forces with DEA and the embassy narcotics affairs section.

The risk to these vital U.S. interests, and particularly our narcotics cooperation efforts, outweighs the potential gain from decertifying Pakistan for its inadequate efforts to combat narcotics. Pakistan is the conduit for opium and morphine base from Afghanistan, the second largest opium producer in the world. If the surge of Afghan drugs is to be stemmed, we need more Pakistani cooperation. Morale in Pakistan's anti-narcotics organizations could be adversely affected by decertification.

Although Pakistan is currently prohibited from receiving many forms of aid by the Pressler Amendment, denial of certification would add a requirement to vote against Pakistan in multilateral development banks. Access to such loans is vital to Pakistan. During the period of national interest certification, the USG will redouble its efforts to assist the GOP in improving its anti-narcotics performance to meet the criteria for full certification.

### **Paraguay**

Paraguay is used as 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 marijuana is exported to Argentina and Brazil and consumed within Paraguay. Paraguay is potentially a major money laundering center, based on its extensive re-export trade and its expanding and poorly regulated financial sector.

President Juan Carlos Wasmosy, Paraguay's first democratically-elected civilian President in over five decades, has stressed his personal commitment to combatting narcotics trafficking. He has continued authorization to stage USG counternarcotics surveillance aircraft in Paraguay and submitted to Congress legislation to control money laundering. Nevertheless, he failed in 1994 to act decisively when brought information relating to corruption within the GOP's counternarcotics leadership. As a result, Paraguay's co-

operation in drug law enforcement was weak in the first half of the year, and one criminal investigation was very probably compromised due to corruption. A lack of political will to uncover what is widely believed to be extensive official corruption led to an overall weak drug control program. Given this situation, Paraguay cannot be considered to be in compliance with the goals of 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.

Cooperation briefly improved in mid-year, resulting in a successful joint investigation with the Drug Enforcement Administration that netted 756 kilos of cocaine, the largest seizure ever in Paraguay. In October, the head of the anti-narcotics secretariat (SENAD) was assassinated, apparently in a personal dispute, disrupting further drug enforcement investigations for the remainder of the year. The new head of SENAD has expressed commitment to a cooperative drug control effort and has promised to carry out widespread changes in the composition of SENAD and the national anti-narcotics police. The USG remains concerned, however, that the Paraguayan military's control over SENAD will cloud any efforts to change the organization fundamentally.

The Government of Paraguay (GOP) made some progress toward meeting the goals and objectives of the 1988 UN Convention when the Paraguayan Congress ratified a financial information exchange agreement with the USG. However, until the GOP takes credible action to investigate allegations of corruption and to promote an aggressive investigative stance against those aiding drug trafficking, it cannot be considered to be fully cooperating with the United States, or to be taking adequate steps on its own, to comply with the goals and objectives of the 1988 UN Convention.

Despite its concerns about the GOP's lack of political will to seriously address drug trafficking, the USG is cognizant that Paraguay remains a young, fragile democracy. The consequences of decertification would likely have a significant adverse impact on Paraguay's ability to consolidate and sustain its fledgling democracy. The USG believes that its long-term counternarcotics goal for Paraguay, the promotion of strong, independent, credible institutions of government able to defeat drug trafficking, is best served by fully supporting the continued growth of democracy. Such support is in the vital national interest of the United States. Therefore, the vital U.S. national interest of promoting democracy outweighs the risks posed by the lack of full GOP cooperation on counternarcotics.

### **Peru**

Vital U.S. national interests would be harmed if we deny certification to Peru. Peru remains the largest source of coca leaf in the world, making continued cooperation with the Government of Peru very important to the United States. In 1994, there was no measurable reduction in the flow of coca base from Peru to Colombia and no systematic mature coca eradication. While the amount of coca under cultivation remained the same, coca leaf production increased by six percent due to new, more productive coca plantings in expanded new areas that are superseding older areas, such as the Huallaga Valley. A vital national interests certification will ensure that U.S. Government policy and assistance remain focused on reducing the cultivation of coca and implementing the Peruvian drug strategy promulgated in 1994. Further, such a certification will allow the United States to continue working closely with Peru on other important issues such as democracy, economic reform and human rights.

In September, the Government of Peru (GOP) approved a national drug plan that defines measures to eliminate illegal drug production, trafficking and abuse, including eliminating all coca cultivation destined for illicit uses. It also established timetables and assigned responsibilities for implementing sectoral plans and programs, including a national alternative development program. In June, the GOP passed a stringent law with strict penalties

for any aspect of opium poppy cultivation trafficking or use, which requires destruction of any poppy found in Peru. The GOP cooperated on most counternarcotics matters contained in its bilateral narcotics agreement with the United States, and took some steps to comply with the goals and objectives of the 1988 UN Convention. However, it made no progress toward the critical goal of reducing mature coca cultivations.

In 1994, there was concrete evidence of refined cocaine HCl processing and shipment from Peru to Mexico by Peruvian trafficking organizations, raising the specter of Peru as a potentially large-scale cocaine refining and shipping center, similar to Colombia. Police and armed forces seized over 9 mt of cocaine base through November 1994, exceeding the 1993 total. Nearly 6 mt were seized by the armed forces, using police intelligence. In January 1994, at GOP request, Colombia arrested major Peruvian trafficker Demetrio Limonier Chavez-Penaherrera ("Vaticano"). He was tried in Peru and is serving a 30-year sentence. There were similar successes against other major Peruvian trafficking organizations. The Peruvian Air Force (FAP) continued to implement an air intercept program with A-37s and Tucano aircraft, despite the USG shutdown of intelligence sharing in May (which has now resumed pursuant to a U.S. Presidential Determination).

The GOP has cooperated with UN Drug Control Program alternative development projects in parts of the Huallaga, Aguaytia, Pachitea and Urubamba valleys. Resumption of international financial institution lending was followed by World Bank and Inter-American Development Bank projects to rehabilitate over 1500 kilometers of roads, and improved electrical power facilities in areas affected by the coca economy. Such improvements in infrastructure facilitate the production and transport of alternative licit crops. Coca seedbed eradication was resumed in July, and has had a measurable impact on efforts to reduce the cultivation of coca in specific areas.

Alternative development programs in or near coca-producing regions will set the stage for future coca crop reduction. The GOP must integrate alternative development efforts with actual net reduction of coca cultivation and prevent the expansion of new coca cultivation areas in order to comply with 1988 UN Convention goals and U.S. and Peruvian drug plans.

A decrease in narcotics cooperation with the GOP would result in more cocaine entering the United States. The risks associated with denying certification to Peru are greater than the risks associated with Peru's failure in the past year to cooperate fully with the United States, or take adequate steps on its own to reduce coca cultivations.

## STATEMENT OF EXPLANATION

### Afghanistan

In 1994, opium poppy cultivation in Afghanistan increased dramatically amid ongoing civil war, widespread lawlessness, and poor economic opportunities. According to USG estimates, opium production in Afghanistan rose 38 percent to approximately 950 metric tons of opium in 1994. Cultivated hectareage rose 39 percent to 29,180 hectares. USG analysis indicates Afghanistan remains the second largest opium producer in the world.

The nominal Government of Afghanistan was unable to eradicate systematically poppy plants, investigate or prosecute traffickers, or impede the transportation of opium, morphine base, or other narcotics. Few provincial leaders apart from Haji Qadir, Governor of poppy-rich Nangarhar, attempted to disrupt the cultivation or trafficking through the areas under their control. Haji Qadir in late 1994 began a campaign of plowing under Nangarhar's newly-planted poppy fields. Despite a demonstration of poppy-plowing for the benefit of U.S. and other international officials, we are unable to judge the extent or efficacy of Qadir's campaign.

Afghan traffickers continued development of new trafficking routes through the Newly Independent States, supplementing existing routes through Pakistan and Iran.

Reports continue to allege the direct involvement of some factional leaders, particularly small-scale independent "commanders," in narcotics production and trafficking and the indirect involvement of others who provide security to the narcotics trade in return for payment.

There is no functioning bilateral agreement between Afghanistan and the United States. While Afghanistan ratified the 1988 UN Convention in 1992, it has made virtually no progress in achieving its goals.

The tremendous increase in poppy cultivation during 1994, combined with the inadequate efforts to eliminate cultivation and trafficking, precludes a determination that Afghanistan has cooperated fully with the United States or taken adequate steps on its own to meet the goals and objectives established by the 1988 Convention. The core problem in Afghanistan is the absence of a functional central government. Although the USG has vital national interests in fostering the re-establishment of a functioning central government that could cooperate with us on regional security issues and drug eradication, USG assistance for such purposes falls largely outside the definition of U.S. assistance that would be cut off by denial of certification, at least this fiscal year. Accordingly, denial of certification is appropriate.

### **Burma**

Burma remains the world's largest producer of illicit opium and heroin and the Government of Burma (GOB) continues to treat counternarcotics efforts as a matter of secondary importance. Estimated opium production in 1993/94 was 2,030 metric tons and illicit poppy cultivation covered 146,600 hectares. 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 and to allow the UN Drug Control Program (UNDCP) to perform an aerial survey of project areas. Domestic enforcement efforts have also shown some marginal improvement with regional task forces under the Burmese police becoming more active in drug enforcement. These efforts, however, fall 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. Well-equipped ethnic armies sheltered in these 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. Direct government complicity in the drug trade does not appear to be a problem among senior officials, but narcotics corruption is a problem among lower level officials.

Multilateral drug control projects in enforcement and alternative development under the UNDCP involving cooperative efforts between Burma, China and Thailand are underway. These projects continue to receive support from the international community. Project scale is small, however, and the overall impact of these efforts on the huge opium cultivation problem in Burma has been extremely limited so far.

Burma is a party to the 1988 UN Convention and has enacted some legislation in conformity with the Convention, but has not made a strong effort to enforce these laws. There has been no bilateral counternarcotics

agreement with the USG since the State Law and Order Restoration Council assumed power in 1988.

### **Iran**

Iran is a major drug transit country. Reportedly, almost half the morphine base that arrives in Turkey monthly for processing as heroin passes through Iran. It also continues to grow opium poppy in remote provinces. Although the USG did not estimate production in 1994, the USG does not believe cultivation diminished significantly as we know of no eradication campaigns. The 1993 estimate was about 3,500 hectares of cultivation with a yield of between 35 and 70 metric tons of opium.

Iran is a party to the 1988 UN Convention and has undertaken at least some activities to fulfill the goals and objectives the Convention established. Since Iran and the United States do not have diplomatic relations and have not cooperated in counternarcotic efforts, the U.S. has been unable to ascertain the extent or adequacy of Iran's undertakings. There is no bilateral counternarcotics agreement in place between Iran's government and the USG.

According to both Iranian radio reports and Iranian government reports to the UN Drug Control Program (UNDCP), the Government of Iran (GOI) is waging a vigorous campaign to eradicate trafficking through Iran. Almost daily radio reports announce substantial morphine base and heroin seizures. Reportedly many individuals are arrested and later executed for drug trafficking. The USG cannot verify many of these reports as it has no representatives in Iran. UNDCP observers have viewed some seizures, including 30 tons of opium in one exhibit bond room. Interpol statistics for 1994, probably based on Iranian government reports, state Iran seized 112 tons of opium, 800 kilograms of heroin and 15 tons of morphine base. However, despite claims about the high level of Iran's counternarcotics effort, the level of drugs arriving in Syria and Turkey has not noticeably decreased.

UNDCP representatives have verified that Iran has fortified frontier guard posts with Pakistan and dug a trench to prevent crossing between posts in an effort to decrease trafficking. Intelligence reports suggest that border guards continue to be bribed to permit drug caravans through, however. The USG believes drug-related corruption continues to be a serious problem among Iran's law enforcement and security services. The USG does not know the extent to which Iran enforces its prominently advertised campaign to prevent and punish public corruption.

Human rights organizations and some Iranian exiles accuse Iran of executing dissidents on false charges of drug trafficking.

### **Nigeria**

A major transit country for Asian heroin and Latin American cocaine destined for the United States and numerous other points around the world, Nigeria remains the focal point for most West African trafficking organizations. Corruption in the Nigerian Drug Law Enforcement Agency (NDLEA) and other law enforcement agencies has not been addressed adequately, thereby hindering counternarcotics efforts. The export of Nigerian drug trafficking to Liberia and other West African counties is of particular concern. The NDLEA's focus in 1994 remained almost exclusively on drug couriers rather than on leaders of drug trafficking groups.

The Government of Nigeria (GON) did begin to show concern about international and domestic drug abuse during 1994. The GON prepared a draft national drug policy plan aimed at rooting out 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 late December, the GON appointed a special advisor on drugs, money laundering, and advance fee fraud whose task is to coordinate the anti-drug efforts of the NDLEA, the police, and the customs agency. In 1994, the GON returned to the United States three drug barons responsible for heroin rings.

These steps may have potential for significant improvement in Nigeria's anti-drug efforts. We will evaluate at an early stage if they and other steps are being implemented effectively and if these steps are followed by additional anti-drug measures.

While the United States welcomes the positive steps taken during the past year, Nigeria did not meet the goals and objectives of the 1988 UN Convention. Nigeria did not effectively implement its bilateral agreement with the United States.

Based on a complete and thorough review of the GON's counternarcotics actions throughout 1994, Nigeria's prominent role in international narcotics trafficking, and its failure in 1994 to make significant progress in meeting the goals and objectives of the 1988 UN Convention, the threat posed to the United States by drug trafficking by Nigerians through Nigeria and elsewhere justifies continued denial of certification.

### **Syria**

Syria is a transit point for narcotics flowing through the Middle East to Europe and, to a lesser extent, the United States. In addition, Syria continues to have a responsibility for assisting Lebanese authorities in ending drug production and trafficking through Lebanon because of the presence of some 30,000 Syrian troops in the Bekaa Valley. In 1994, Syria continued and expanded its cooperation with Lebanese authorities to eradicate opium poppy and cannabis cultivation in the Bekaa Valley, 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 during 1994. 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. However, 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 officials profiting from the drug trade in Lebanon, no corruption investigations or charges were brought against any Syrian government or military officials in 1994.

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. While Syria greatly improved its performance in reducing illicit cultivation and increased seizures in Lebanon, it did not meet some of the other goals and objectives of the 1988 UN Convention. Syria does not have a bilateral narcotics agreement with the United States.