
Presidential Documents

Title 3—

Presidential Determination No. 98–15 of February 26, 1998

The President

Certification for Major Illicit Drug Producing and Drug 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 illicit drug producing and/or major illicit drug transit countries/dependent territories have cooperated fully with the United States, or have 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:

Aruba, The Bahamas, Belize, Bolivia, Brazil, China, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Jamaica, Laos, Malaysia, Mexico, Panama, Peru, 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 major illicit drug producing and/or major illicit drug transit countries:

Cambodia, Colombia, Pakistan, and Paraguay.

Analysis of the relevant U.S. vital national interests, as required under section 490(b)(3) of the Act, is attached.

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

Afghanistan, Burma, Iran, and Nigeria.

In making these determinations, I have considered the factors set forth in section 490 of the Act, based on the information contained in the International Narcotics Control Strategy Report of 1998. Given that the performance of each of these countries/dependent territories has differed, I have attached an explanatory statement for each of the countries/dependent territories subject to this determination.

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 26, 1998.

STATEMENTS OF EXPLANATION

Aruba

Aruba is a major trafficking and staging point for international narcotics trafficking organizations which transship cocaine and heroin from Colombia, Venezuela and Suriname to the United States and Europe. Its key position near the Venezuelan coast with air and sea links to South America, Europe, Puerto Rico and other Caribbean locations makes it a prime transshipment point. Drug shipments are made primarily via containerized cargo, but commercial airlines and cruise ships are also used.

Money laundering organizations use legitimate companies as fronts to invest in land development and other construction projects. The Government of Aruba's (GOA) Free Trade Zone (FTZ), casinos and resort complexes are reported to be attractive venues for money laundering and smuggling. Legislation recommended by four joint Aruba-Dutch commissions to enhance monitoring of the FTZ, casinos, import and export of money, and legal entities is pending.

Although Aruba is a part of the Kingdom of the Netherlands (GON), it has autonomy over its internal affairs and has independent decision-making ability in many drug policy areas. In 1997, the GOA passed and implemented a new criminal procedural code which allows for expanded investigative powers for local law enforcement as well as for extradition of nationals subject to service of sentences in Aruba. The change in criminal procedure removed one of the last remaining barriers to the GOA's full compliance with the 1988 UN Drug Convention standards. The GOA has yet to ask the Kingdom of the Netherlands (GON), a party to the 1988 UN Drug Convention, to extend it to Aruba.

The GOA, as part of a joint Netherlands-Netherlands Antilles-Aruba Coast Guard, received two small fast patrol boats to patrol the coastal waters and interdict drug shipments. The GOA established money transaction monitoring entities to review unusual transactions in the banking sector. Aruban law enforcement officials participated in USG-sponsored training courses for drug enforcement during 1997.

Indications of corruption still hinder the effectiveness of GOA efforts against international narcotics traffickers and money launderers. The withdrawal of the OLA party from the Eman coalition government and the government's subsequent fall in late 1997 was linked in the press to the efforts of elements within Aruban society and political circles who are seeking to halt or reverse recent government actions, including progress in trans-national crime, counternarcotics and money laundering issues. Elections in December returned no one party with a parliamentary majority and efforts to form a new coalition government have moved slowly. Progress in implementing anti-drug measures approved in 1997 may be delayed as a result of the political impasse.

Despite these problems, Aruba generally cooperated in 1997 with the USG to meet the goals and objectives of the 1988 UN Drug Convention.

The Bahamas

The USG and the Government of the Commonwealth of The Bahamas (GCOB) have enjoyed an excellent, cooperative working relationship on counternarcotics over the past decade. The GCOB places a high priority on combating drug transshipments through its archipelago, as demonstrated by the extensive resources it devotes to this initiative. Nevertheless, significant quantities of illicit drugs continue to transit The Bahamas en route to the U.S., and The Bahamas remains a major drug transit country. The GCOB cooperates very closely with the USG on Operation Bahamas and Turks and Caicos (OPBAT). U.S. and Bahamian law enforcement agencies

worked diligently together throughout the year to respond to increases in air and maritime transshipment incidents.

The first country to ratify the 1988 UN Drug Convention, The Bahamas continues to take steps to implement it. Following passage of anti-money laundering legislation (March 1996) and implementing regulations (December 1996), in November 1997 The Bahamas submitted its strong anti-money laundering regime to mutual evaluation by the Caribbean Financial Action Task Force (CFATF).

During the year, the GCOB continued to strengthen its judicial system, with assistance from the USG. However, procedural delays continue to plague the court system, leading to delays in drug cases. The Bahamas needs to improve the effectiveness of its court system in disposing of drug cases more expeditiously.

The GCOB should also put greater emphasis on forfeiture of the proceeds of crime and trafficker assets, including early disposal of commodities used in trafficking before they lose value. The Bahamas has not yet designated the U.S. under the Bahamian law concerning execution of foreign forfeiture orders in The Bahamas, despite repeated U.S. requests since 1993. In past years, The Bahamas has prosecuted and convicted some middle- and low-level officials on charges of narcotics corruption.

Belize

The Government of Belize (GOB) recognizes the problem of drug transit through its territory and the effect drug trafficking has on domestic crime. Anti-narcotics activities are centralized in a committee consisting of various components of the Belize Police Force (BPF) and the Belize Defense Force (BDF), with a dedicated group of investigative police and a rapid response force called the Dragon Unit. They are active in the fight against drugs and work closely with the USG. The GOB is party to the 1988 UN Drug Convention.

With USG help, the GOB continued to work to upgrade the professionalism and equipment of the BPF to combat violent crime and narcotics trafficking. A new two-officer money-laundering unit has recently completed training with USG support. The GOB has continued its support of cooperative efforts to reduce drug trafficking through its borders and to combat the crime associated with such trafficking. The GOB has also maintained its support of regional and unilateral counternarcotics efforts.

1997 was a record year for cocaine interdiction with more than two metric tons seized. Indications are that marijuana cultivation remained stable. The efforts of the Belizean security forces to control narco-traffic have been hampered by the lack of manpower, training and equipment, corruption within the ranks, and the relatively large expanse of uninhabited territory of the country.

This improved performance, however, was tempered by the mixed record of convictions and sentencing, including the dismissal of an important case involving Colombian, Mexican, and Belizean defendants. The Belizean judicial system remains weak, understaffed, and underfunded. Although the GOB and the USG reached tentative agreement on a new extradition treaty and a MLAT in late 1996, the GOB subsequently raised new concerns about certain aspects of these treaties and negotiations were stalled during 1997. While the new extradition treaty has not been completed, Belize continues to extradite alleged criminals to the United States under the 1972 US-UK extradition treaty.

The GOB needs to continue to fully cooperate with the USG and take action to meet the goals and objectives of the 1988 UN Drug Convention and other UN drug conventions. Of particular importance, the GOB should improve its prosecution of major drug cases, provide more support for the judicial branch, and conclude negotiations on mutual legal assistance and

extradition treaties with the US. A renewed commitment to confronting corruption is essential.

Bolivia

Bolivia is the world's second leading producer of cocaine hydrochloride, and has an illegal coca-cocaine industry, including sophisticated operations to smuggle essential chemicals, that is increasingly under the control of Bolivians. The participation of foreigners is more and more relegated to the refining of base into cocaine hydrochloride and to transporting cocaine out of Bolivia, however, this will diminish as Bolivian traffickers improve their refining capabilities.

The former GOB never implemented an eradication program in the Yungas, and quickly discontinued its policy of arresting and prosecuting persons who plant new coca. The new Banzer government has promised prompt action on both issues. Additionally, although eradication slowed in April and did not effectively resume until early October, Bolivia exceeded its gross eradication goal for 1997 of 7,000 hectares and produced a net reduction in coca cultivation of 2 percent. This is an improvement over the one percent net reduction in 1996 and was largely conducted after the inauguration of the new Banzer government.

Bolivia's new government is building a consensus, via a series of national dialogues, for the country's first national counternarcotics strategy. Their five-year plan includes the goal of totally eliminating illicit coca cultivation by the year 2002.

Total narcotics-related arrests increased substantially in 1997, as did seizures of cocaine products and essential chemicals. The Special Investigative Units—vetted and trained in the U.S.—have returned to Bolivia and are actively engaged in their own operations and in supporting the on-going investigations of other Bolivian counternarcotics units. The Bolivian Navy's Blue Devil Task Force has been granted law enforcement authority, a change which will almost certainly result in greatly improved interdiction results on the country's waterways.

The legislature is considering critical judicial reforms, including revisions to Law 1008, Bolivia's basic counternarcotics law, which will, when enacted, greatly improve the country's court system and result in a fairer and more transparent judicial system.

Alternative development initiatives have been highly successful in providing farmers viable, licit alternatives and have helped solidify public opinion against coca cultivation.

In 1998, the Bolivian government must act to prevent new coca plantings and conduct eradication efforts in a sustained and intensified manner. A net reduction of 20 percent (or 7,000 hectares) of coca plantings must be achieved in 1998 if the Bolivians are to garner success for their 5-year plan to eliminate illicit coca. They must eliminate individually compensated eradication for controlling the cultivation of new coca fields and prosecute those who plant them. The Blue Devil Task Force must implement their new law enforcement authority to effect seizures of narcotics and chemicals, and arrests of narco-traffickers on Bolivia's waterways. Enforcement of recently enacted legislation criminalizing money laundering was delayed, in 1997, pending clarification of lines of authority and identification of funding sources. Bolivia must move forward to vigorously implement these laws.

Brazil

Brazil is a major transit country for cocaine shipped by air, river, and maritime routes from Bolivia, Peru, and Colombia to the U.S. and Europe. Because of increased interdiction of trafficker aircraft in Peru (along the Peru/Colombia air corridor), traffickers have shifted illicit narcotics flights into Brazilian air space. Brazil's vast and sparsely populated Amazon region provides ample opportunity for traffickers to transship drugs and chemicals by air and riverine routes. A southern "drug route" also exists along Brazil's borders with Paraguay and Bolivia.

While not a significant cultivation country, Brazil is a major producer of essential/precursor chemicals and synthetic drugs. There is also a growing domestic drug consumption and addiction problem, primarily among young people. Several key pieces of counter-narcotics legislation, including an anti-money laundering law, are under review in the congress. Brazil's bank secrecy laws and its highly developed financial networks make it fertile ground for money laundering of drug profits.

Although police drug seizures in 1997 were only slightly above those in 1996, anti-narcotics law enforcement units stepped up interdiction activities in the Amazon region and along the southern "drug route." The government implemented a new national defense policy (since 1996) to allow the military to assist police anti-drug operations in the Amazon. During two major operations in that region, the police put a majority of all clandestine airfields out of operation. In cooperation with neighboring countries, Brazilian police carried out investigations which disrupted several major drug smuggling organizations. Brazil also continues to cooperate in extradition cases of non-Brazilian citizens.

To signal its continued resolve to deal with narcotics trafficking problems, Brazil signed a new Letter of Agreement (LOU) for bilateral cooperation in narcotics control with the U.S. in 1997. Brazil has bilateral narcotics control agreements with all its South American neighbors as well as Germany and Italy. During a visit by President Clinton in October, Brazil signed a mutual legal assistance treaty (MLAT) with the U.S. In another positive step, the government incorporated anti-money laundering provisions in a packet of emergency measures sent to Congress in conjunction with a growing economic/fiscal crisis. This packet has cleared the lower house of the legislature and is still being considered by the Brazilian senate with passage possible in early 1998. Senior government officials made clear to U.S. interlocutors during 1997 that Brazil was fully committed to working with the U.S. and other nations in reducing the traffic in illicit drugs in South America.

China

China both remains a major transit route for Southeast Asian heroin destined for the U.S. and other Western markets and has had increasingly to deal with the phenomenon of itself becoming such a market. China continues to take a strong stand to battle this trend. In 1997, it further intensified its nation-wide efforts to combat drugs by focusing special attention on anti-drug education. Narcotics seizures also increased, as did the monitoring of precursor chemicals: there was a four-fold increase over 1996 in the seizures of such chemicals. China also moved to strengthen anti-drug legislation and for the first time identified money laundering as a crime. In 1997, China signed a Mutual Legal Assistance Agreement with India which placed special emphasis on narcotics trafficking. China is also a party to all of the UN narcotics conventions.

USG-PRC cooperation on counternarcotics issues improved in 1997. In October, as part of the Joint Statement issued during the Summit between Presidents Jiang and Clinton, China agreed to the opening of reciprocal drug enforcement offices in Beijing and Washington and to the establishment

of a Joint Liaison Group on Law Enforcement which specifically included narcotics trafficking as one of the issues to be addressed. China hosted two Drug Enforcement Administration seminars on chemical control, sent officials to the United States to take part in airport interdiction training and continued working-level exchanges of information on international drug trafficking cases with USG law enforcement officials. A direct e-mail link with DEA to facilitate information exchange on drug cases has been established. In April, China transferred to the U.S. for prosecution on drug trafficking charges a Burmese national in its custody.

China continues to struggle with the corruption and greed which have accompanied economic success and prosperity. The Government has passed specific laws to deal with officials guilty of the use, manufacture, or delivery of narcotics. Penalties for such transgressions include execution. There is no evidence of high-level official involvement in the drug trade. The juxtaposition, however, of low-paid law enforcement and other officials with the lucrative drug business creates the potential for corruption.

Chinese officials have noted that 90 percent of the heroin flowing into China comes from Burma. China's close trade and political relationship with Burma has facilitated misuse of their shared 2,000-kilometer border by drug traffickers. China has pledged cooperation in helping the Burmese fight narcotics production and has supported international programs to wean Burmese farmers away from drug production. China's success—or its failure—with regard to addressing the problem of Burmese drug production has serious implications for China, for the rest of Asia and for the West.

Dominican Republic

The Dominican Republic is an active transshipment point for drugs destined for the United States and Europe. Traffickers smuggle narcotics through Dominican territory by air, sea, and along the country's porous border with Haiti. A weak Dominican judicial system continues to hamper efforts to combat the narcotics trade, but a promising reform process began in 1997.

The Government of the Dominican Republic (GODR) continued to cooperate with the United States Government (USG) on counternarcotics objectives and goals. The GODR is party to the 1988 United Nations Drug Convention. It has enacted a money laundering and asset forfeiture law that complies with the Organization of American States (OAS)/Inter-American Drug Abuse Control Commission (CICAD) model. The GODR and the USG have a bilateral maritime agreement that allows for consensual boarding of sea vessels by host country authorities. Dominican authorities cooperate closely on drug investigation matters with the USG. The GODR had a mixed record of drug-related seizures and arrests. There was a decrease in marijuana seizures and arrests for drug-related offenses (1,481 arrests) in 1997, but an increase in heroin seizures (8.3 kgs). Cocaine seizures rose slightly from 1996 to 1,354 kgs. in 1997.

This cooperation has been marred by the disappointing record of judicial and legislative reforms. Dominican law prohibits the extradition of Dominican nationals, creating a refuge in the Dominican Republic for Dominican nationals who are believed to have committed serious crimes in the U.S. Pursuant to an extraordinary and rarely used Executive Order, the GODR did extradite two Dominican nationals to the United States in August 1997 to stand trial on charges of narcotics trafficking and homicide. Dominican judicial authorities have yet to act on more than two dozen additional U.S. extradition requests. An absence of effective government supervision of exchange houses or remittance operations and the presence of large cash flows, which could hide money laundering activity, continue to make the Dominican Republic vulnerable to further money laundering. Money laundering is not likely to diminish until the GODR aggressively implements the money laundering legislation.

Neither the GODR itself nor senior government officials encourage, facilitate, or engage in drug trafficking or money laundering as a matter of government policy. No evidence exists that senior government officials are involved in drug distribution or money laundering. No senior government official has been indicted for drug-related corruption in 1997.

Ecuador

Ecuador continues to be a major transit country for the shipment of cocaine from Colombia to the United States and Europe. Ecuador is also used by traffickers for money laundering of drug profits and to transit essential/precursor chemicals destined for Colombian drug labs. Cocaine is shipped primarily by road from the Colombian border to major Ecuadorian ports where it is concealed in bulk cargo transported in large ocean-going commercial vessels.

In 1997, Ecuador increased the number of interdiction checkpoints along inland transit routes leading to ports. With U.S. aid, Ecuador is establishing a Joint Information Coordination Center (JICC) in the major port city of Guayaquil. Ecuador also hosted a U.S. Customs/U.S. Coast Guard team which assessed port operations for top government officials. The Ecuadorian Congress passed legislation authorizing the forfeiture of drug assets and the use of forfeiture funds in support of prevention, rehabilitation, and police counter-narcotics activities. Police assigned personnel for U.S.-sponsored training to form a "controlled chemical" investigative unit. The government submitted new legislation to help police carry out money laundering investigations.

There is a long tradition of cooperation between Ecuadorian National Police and U.S. law enforcement in the area of narcotics control. Still, the police lack many of the resources needed to deal effectively with a narcotics trade directed by powerful criminal organizations in its neighbor to the north, Colombia, and, to a lesser extent, in Peru to the south. Cooperation between the Ecuadorian and Peruvian governments is complicated by an on-going, serious, and occasionally violent border dispute.

Ecuador cooperated with the U.S. to eradicate most of its coca crop in the 1980's and thus avoided the production problems that currently plague its neighbors Colombia and Peru. In 1997, Ecuador continued to demonstrate its willingness to work closely with the U.S. in dealing with other narcotics issues including major vulnerabilities such as cocaine transshipments, chemical diversions, money laundering, and judicial corruption/inefficiency. The police's canine unit, for instance, was created with U.S. assistance and had a number of outstanding successes in interdicting cocaine shipments in 1997. Ecuador has also signalled a willingness to discuss and work out ways in the near future to cooperate with the U.S. in maritime interdiction.

Guatemala

With peace a reality after thirty six-years of internal conflict, President Arzu has made public security a top priority and has shown special interest in ensuring maximum cooperation with the United States in combatting counternarcotics trafficking through Guatemala and in the region.

Guatemala is located half way between the U.S. and Colombia and continues to be a transshipment and storage point for cocaine destined for the US via Mexico. There has been a marked increase in the use of truck and shipping containers. Guatemala has made major improvements to a self-financed port security program which expanded operations.

A major initiative resulted in the transition from the old national and treasury police forces to the new National Civilian Police (PNC) and the consolidation of various paramilitary law enforcement agencies. The Depart

ment of Anti-Narcotics Operations (DOAN), a specially equipped civilian police command, was transferred to the PNC after re-training and a major pay increase. With USG assistance, the DOAN seized almost 6 metric tons of cocaine in 1997. There was also steady progress in the successful prosecution of narcotics-related crimes with over 90 per cent of those accused being convicted.

Guatemala works closely with USG organizations to stem the flow of drugs through Guatemala, but has not yet enacted necessary legislation to implement all the provisions of the 1988 UN Convention on narco-trafficking. The Government of Guatemala (GOG) does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or controlled substances.

Guatemalan studies show that drug use is on the rise in most age groups with cocaine use increasing rapidly. However, Guatemala has recently completed a comprehensive national drug plan which is scheduled to be implemented starting in January 1998 and which includes an ambitious demand reduction program.

Haiti

Already confronted by a wide array of issues that compete for the attention of its limited professional and managerial talent, the Government of Haiti (GOH) and its criminal justice institutions are severely strained by increased international narcotics trafficking activities. Haiti's fledgling national police force is hampered by a lack of manpower, training, equipment, and experience. The poorest nation in the Western Hemisphere, Haiti is particularly vulnerable to the corrosive effects of narcotics-related corruption. Haiti's weak and ineffective judicial system has a poor track record of narcotics prosecutions. Haiti is a party to the 1988 UN Drug Convention.

Because of a significant increase in the detected activities of Colombian drug trafficking organizations in Haiti in 1994, Haiti was added to the list of major drug producing and transit countries in 1995. Due in measure to effective USG interdiction efforts around Puerto Rico and the Virgin Islands in 1997, traffickers have increasingly targeted Haiti's long, undefended coastline for narcotics deliveries intended for transshipment (often through the Dominican Republic) to the US. In response to this growing threat, the GOH, within its existing capacity, cooperated fully with the United States Government (USG) in counternarcotics efforts in 1997. The GOH must build upon the positive steps it has already taken to more aggressively seize narcotics shipments, pursue and prosecute narcotics traffickers, and investigate all allegations of governmental corruption with a view to effective prosecution.

The GOH is slowly but incrementally putting into place the legal mechanisms and governmental policies to counter organized trafficking elements. This effort has been hampered overall by the ongoing political impasse over a parliamentary quorum. In 1997, the GOH and the USG signed a Maritime Counterdrug Agreement. In 1997, the Haitian Coast Guard (HCG) and the U.S. Coast Guard (USCG) cooperated in four separate maritime interdictions that yielded over 2 metric tons of cocaine and five tons of marijuana. With USG support, the Counternarcotics Unit of the Haitian National Police (CNU) was staffed, trained and partially deployed in 1997. A fully-deployed CNU is scheduled to move to a permanent headquarters facility at the Port au Prince airport in 1998.

In response to allegations of drug-related corruption within the Haitian government, the Haitian National Police arrested 21 police and judicial officials for suspected complicity in narcotics trafficking in 1997. A Ministry of Justice (MOJ) Special Advisor on Narcotics Matters drafted a national narcotics strategic plan, completed draft legislation on money laundering, and updated archaic Haitian narcotics laws. That said, corruption remains

an important USG concern, as does the need for successful prosecutions of narcotics trafficking cases.

In 1997, the GOH continued to give USG officials high-level assurances of its commitment to drug control, and those assurances have been supported by progress in establishing Haitian counter-drug institutions. However, Haiti still has a number of major goals to achieve before it will be able to take significant, independent action in counternarcotics.

Once a new Prime Minister and a new government are installed, the Maritime Counterdrug Agreement and the MOJ's legislation can be submitted for Parliamentary approval and a National Narcotics Plan approved at the cabinet level. The USG will continue to work with the GOH to achieve Parliamentary passage of pending and planned legislation and its vigorous implementation, continued training the CNU, and the institution of anti-corruption steps within the ranks in further compliance with the goals and objectives of the 1988 UN Drug Convention and the terms of our bilateral agreements and treaties.

The USG will remain engaged in increasing the capacity of the HCG and CNU to meet the threat posed by traffickers. The USG will also help improve the overall security of the Port-au-Prince Airport to inhibit the flow of drugs via air links to the U.S. Additional counternarcotics objectives for Haiti include targeting at least one major international narcotics organization for significant interdiction efforts and enacting civil and administrative asset forfeiture provisions to facilitate targeting of trafficker assets and companion legislation requiring use of the forfeited funds solely for counternarcotics interdiction and enforcement operations.

Hong Kong Special Administrative Region

The Hong Kong Special Administrative Region remains a target point for money launderers and drug traffickers. USG officials believe that Hong Kong traffickers control large portions of Southeast Asian narcotics destined for the West, including the United States. In 1997, however, there were no seizures of heroin destined for the U.S. which could be tied to Hong Kong itself. Hong Kong has strengthened money laundering guidelines applicable to its financial institutions, securities firms and the insurance sector. It also enacted the 1997 Drug Trafficking Order, which allows for the enforcement of confiscation orders issued by countries that are signatories to the 1988 UN Drug Convention, thus enhancing Hong Kong's ability to recover the proceeds of drug trafficking. With Hong Kong's reversion to Chinese sovereignty in July 1997, the 1988 UN Drug Convention has for the first time been made applicable to Hong Kong. The U.S.-Hong Kong Extradition Agreement was ratified by the U.S. in November 1997 and came into force in January of this year. The new U.S.-Hong Kong Mutual Legal Assistance Agreement awaits Senate action.

Close cooperation between Hong Kong law enforcement agencies and the Public Security Bureau of Guangdong Province resulted in increased seizures on the mainland of heroin which would otherwise have entered Hong Kong. In conformity with the 1988 UN Drug Convention, Hong Kong amended Schedules 1 and 2 of its Control of Chemicals Ordinance to place the salts of 17 chemicals under licensing control. Hong Kong also issues pre-export notifications to destination countries of precursor chemical shipments so as to prevent diversions. As noted by the International Narcotics Control Board, Hong Kong stopped three suspicious chemical shipments in 1997. Hong Kong will face the second review of its system by the Financial Action Task Force in 1998 and has carefully reviewed its existing body of narcotics-related legislation and practices in preparation for that review.

There is no reported narcotics-related corruption among senior government or law enforcement officials in Hong Kong. Cooperation between the U.S. and Hong Kong on counternarcotics matters remains both wide-ranging and excellent. Hong Kong and USG personnel conducted several joint narcotics

investigations in 1997, resulting in a number of arrests and drug seizures, as well as in financial seizures. In August, U.S., Hong Kong and Mexican officials also successfully coordinated a controlled delivery to Mexico of 150 kilograms of pseudoephedrine originating in China. Hong Kong Customs and Excise authorities provided two instructors to assist DEA's diversion training team in conducting two one-week seminars in China. Locally posted DEA officers continue to provide monthly briefings at the Hong Kong Police Command School.

India

India, an important producer both of licit and illicit narcotics, is a crossroads for international narcotics trafficking. It is the world's largest producer of licit opiates for pharmaceutical use and the only producer of licit gum opium. Some opium is diverted from the country's legal production, although it is difficult to ascertain the exact amount. The Government of India estimates diversion at about 10 percent, although it may be as high as 30 per cent. Illicit poppy cultivation declined significantly in the past year, from 47 metric tons (mts) to 30 mts, according to USG estimates. India's location between the two main sources of illicitly grown opium, Burma and Afghanistan, as well as its well-developed transportation infrastructure, makes it an ideal transit point but heroin transshipment is not as significant as in neighboring Pakistan, Thailand and China and there is no evidence that opiates transshipped through India reach the U.S. in significant amounts.

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.

Indian opium gum, the principal source of thebaine, and alkaloid essential to certain pharmaceuticals, is purchased by U.S. pharmaceutical firms. Between 1994 and 1996, India had difficulty meeting its production goals and satisfying the world demand for this narcotic raw material. Reduction in acreage, a severe drought which limited crops and inaccurate physical inventories over the last 20 years led to a depleted stockpile and large discrepancies in inventory which were discovered in 1994.

Starting in 1995, India took a number of steps to increase licit opium productivity and the licit opium stockpile. To increase future inventory accuracy, the traditional method of storing liquid opium in large, open vats, resulting in undetermined losses due to evaporation, was changed to a system of sealed cans. To ensure a more secure stockpile, the GOI increased the opium crop by increasing each year the minimum qualifying yield per hectare with which each farmer must comply. Opium output grew each year, from 833 mts in 1995 to 849 mts in 1996 to 1,341 mts in 1997. The GOI also sharply increased its seizures of diverted licit opium. Greater GOI attention to increasing licit opium yields both increased the amount of narcotic raw material available to purchasers and ensured a more stable stockpile. Following years of an inadequate supply, this year's increased production finally gives India a licit stockpile consistent with market demand.

In 1997, India took five important steps to increase licit opium production to meet market demand while curtailing the diversion of licit opium. These steps include: A) raising the minimum qualifying yield (MQY) for relicensing to cultivate opium poppy from 48 to 52 kilograms per hectare; B) increasing GOI vigilance of poppy farmers with direct farm visitation by enforcement personnel to ensure all harvested opium is turned in to government warehouses; C) seizing 11 mts of raw opium harvested by licit cultivators, but not declared to the government in 1997 as opposed to the 2 mts of diverted licit opium seized in 1996; D) quickly averting the harmful effects of a

cultivator strike by licensing new farmers to replace the striking cultivators; and E) making offenses relating to cultivation and embezzlement of opium by licensing cultivators on par with other trafficking offenses, resulting in long prison terms and heavy fines upon conviction.

While these are adequate steps to curb diversion, the USG believes even more could be done and will work with the GOI to increase diversion controls. USG offers to help the Government of India (GOI) with a survey of the licit opium fields have not yet been acted upon. A well-designed crop study would provide accurate data on crop yields and would be an important step in establishing practicable levels of minimum qualifying yield. The data could also be used to extrapolate the level of diversion. The USG hopes to work with the GOI on a future joint opium crop yield survey. Scientists from the U.S. Department of Agriculture and the GOI have collaborated on the design of a poppy survey.

India also has illicit cultivation, primarily in Jammu and Kashmir, where GOI control is challenged by insurgent groups and in the remote hills of Uttar Pradesh. USG surveys between 1994 and 1997 indicated illicit cultivation of opium poppy decreased steadily, with the estimated yield declining from 82 mts of opium to 30 mts. The GOI locates and destroys illicit cultivation with vigor, but in some areas, such as Jammu and Kashmir, GOI control is challenged by insurgencies. The USG supplies satellite data along with coordinates of suspected areas of illicit poppy cultivation and the GOI has carried out extensive field surveys and some random aerial surveys, some with DEA assistance.

The GOI has made significant progress in controlling the production and export of precursor chemicals. Trafficking in illegally produced methaqualone (mandrax), a popular drug in Africa, is still a major problem. The GOI has a cooperative relationship with the DEA, which is appreciative of Indian efforts to control trafficking in precursor chemicals. However, authorities have had limited success in prosecuting major narcotics offenders because of the lack of enforcement funding and weaknesses in the intelligence infrastructure.

India met formally several times in 1997 with Pakistan to discuss narcotics matters and is committed to continuing consultations in 1998. Although these meetings have produced limited results, they are an important step toward much-needed regional narcotics cooperation. India has also met with Burmese officials along the border.

India is party to the 1988 UN Drug Convention, but has not yet enacted supporting legislation on asset seizures or money laundering. The substantive steps India has taken in controlling illicit narcotics growth and in increasing the harvest of licit opium while at the same time tightening controls on the licit crop to prevent diversion qualify India for certification.

Jamaica

Jamaica is a producer of marijuana and an increasingly significant cocaine transshipment country. The Government of Jamaica (GOJ) made some progress during 1997 toward meeting the goals and objectives of the 1988 UN Drug Convention, to which it became a party in December 1995, and of our bilateral cooperation agreements and treaties. Counterdrug cooperation between DEA and the Jamaica Constabulary Force (JCF) remained at high levels, and cannabis eradication increased from 473 hectares in 1996 to 683 hectares in 1997, despite severe resource constraints. In October, parliament passed a master national drug abuse prevention and control plan which complies with the OAS/CICAD model. Many important actions, however, still remain to be taken by the GOJ to fully meet the counterdrug goals and objectives.

During 1997, the GOJ extradited to the U.S. three Jamaican national fugitives from U.S. justice, compared to 1996, when the GOJ returned one

Jamaican national under a waiver of extradition, one U.S.-Jamaican dual national who returned voluntarily and six U.S. national fugitives who returned voluntarily or were deported to the U.S. One U.S. national died in Jamaica in 1996 while extradition proceedings were pending. The U.S. seeks early resolution of the 26 active extradition cases currently pending with Jamaica. Although both countries have begun to utilize the bilateral Mutual Legal Assistance Treaty (MLAT), Jamaica needs to speed up its execution of U.S. mutual legal assistance requests.

By year's end, the GOJ had not yet tabled in parliament any precursor and essential chemical control legislation. In September 1997, however, the GOJ signed with the USG a letter of agreement (LOA) which details USG counternarcotics assistance to be provided and GOJ actions to be taken. This agreement includes a GOJ commitment to introduce into parliament a precursor chemical control law by April 1998.

In November 1997, the GOJ amended its 1996 anti-money laundering law to mandate reporting of all cash transactions of U.S. \$10,000 equivalent or more. Previously, the law incorporated a threshold reporting requirement for all transaction types. Further amendments are required to bring Jamaica into full compliance with the recommendations of the Caribbean Financial Action Task Force (CFATF). Although there are four cases pending, to date there has been no adjudication of money laundering cases. In February 1998, a Jamaican court granted the first forfeiture order, under the 1994 law, of assets of a convicted drug dealer; however, Jamaica has not provided for earmarking of forfeited assets for counterdrug purposes.

In the area of drug enforcement, GOJ drug arrests and cocaine and hashish oil seizures increased in 1997 from 1996 levels, but marijuana seizures were down substantially. A maritime law enforcement cooperation agreement was signed by the GOJ and USG in May 1997; on February 24, 1998, the GOJ notified the USG that it had completed its constitutional requirements for the entry into force of the agreement. A return notification from the USG brings the agreement into force. The United States hopes that, with the agreement in force, maritime cooperation with Jamaica will improve. The GOJ needs to reinvigorate the previously successful joint Jamaica Constabulary Force (JCF)-DEA Operation Prop Lock, which seized only one trafficker plane during 1997, and that had to be returned to its owner for lack of probable cause.

Drugs in export shipments continued to threaten Jamaica's legitimate commerce during 1997. At GOJ invitation, U.S. agencies conducted an export security assessment and recommended remedial actions to improve security at air- and seaports. The GOJ needs to carry out these recommendations. During 1997, there were reports in the Jamaican media about drug-related corruption of police and a resident magistrate, the latter of whom was arrested on corruption charges. The GOJ also needs to take strong steps to control drug-related public corruption. A wide-ranging bill dealing with corruption of public officials was tabled in parliament, with passage expected in early 1998.

Parliamentary passage of introduced and planned legislation and its vigorous implementation will be necessary for Jamaica to meet fully the goals and objectives of the 1988 UN Drug Convention and the terms of our bilateral agreements and treaties.

Laos

Laos remains the world's third largest producer of illicit opium. Despite concerted efforts by the government, Laos' estimated potential production as a result of the 1997 growing season was 210 metric tons, up 5 percent from 1996. Cultivation increased by 12 percent, with most of the increase in the more isolated northwest of the country. Opium production remained low, however, within the USG-funded Houaphanh alternative development project area. Laos' proximity to important ports and trade routes also places

it on the trafficking routes for drugs destined for the West, including the U.S. Recognizing the phenomenon of "economic opportunism" suggested by UNDCP experts as contributing to increased opium production, Lao authorities agreed in 1997 to a USG proposal to begin, for the first time, an eradication program in areas where alternative development projects are in place. Lao law enforcement officials made their largest heroin seizure ever (62.3 kilograms) in Luang Prabhang Province in May, highlighting the increased effectiveness of Laos' counternarcotics enforcement efforts. Laos also ratified the 1971 UN Convention on Psychotropic Substances and has indicated it may ratify the 1988 UN Drug Convention in 1998, after passage of required legislation.

In keeping with its plan to address all aspects of the drug problem in Laos, the Government of Laos has emerged as an increasingly active player in regional and international counternarcotics efforts. In July, it hosted a trilateral ministerial meeting with Burma and Thailand to address problems of illicit drug production and trafficking. Laos also signed bilateral counternarcotics cooperation agreements with Burma and the Philippines. It was selected to serve a four-year term on the UN Commission on Narcotic Drugs, which began this January.

USG-Lao counternarcotics cooperation remains a center point of the overall relationship and continues to be excellent. USG counternarcotics assistance to Laos has increased as the Lao have moved toward a counternarcotics policy which seeks to balance alternative development, law enforcement, eradication and demand reduction regimes. In order for Laos to avoid the stigma attached to narco-societies, it must control opium cultivation, production and trafficking before modernization exacerbates those problems. It will also have to deal with the problems posed by corruption, including possible narcotics-related corruption, among military and government officials. The USG's commitment to Laos has been made both in response to the determination thus far shown by the Government of Laos and in recognition of Laos' need for assistance in accomplishing its stated counternarcotics goals.

Malaysia

For geographic and historical reasons Malaysia remains, and likely will remain for some time, a significant transit country for U.S. and European-bound heroin. Top Malaysian leaders, including the Prime Minister, are deeply concerned by Malaysia's drug problem and have made combating illicit drugs one of Malaysia's top national priorities. Police, armed with stiff anti-trafficking laws that provide for detention without trial and, in some cases, mandatory death sentences, prosecute drug crimes vigorously. The Anti-Narcotics Division of the police now enjoys department status. Unlike some of its neighbors, Malaysia is prepared to move against corruption. Several police officers were arrested and prosecuted for drugs-related corruption. Police also arrested several mid-level police officers and other government officials including a Malaysian diplomat, who was later acquitted of drug smuggling charges. A newly amended anti-corruption act gave the police additional powers to prosecute corruption in 1997.

The government has also devoted new resources to drug rehabilitation. In 1997 Malaysian authorities launched new initiatives aimed at combatting drug use among the young, improving drug rehabilitation techniques, and combatting the spread of psychotropic pills. Cooperation with the USG on combatting drug trafficking has been excellent. The U.S.-Malaysian Extradition Treaty came into force in 1997. Positive discussions on a Mutual Legal Assistance Treaty continued. Malaysia is working on legislation governing asset forfeiture and management of seized assets to complement the MLAT. Malaysia is a party to the 1961 UN Single Convention and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances and the 1988 UN Drug Convention.

Mexico

The issue of illicit narcotics trafficking, and related crimes, remains at the top of the bilateral agenda between the U.S. and Mexico. These issues figured prominently in meetings in which Presidents Clinton and Zedillo approved documents which form the basis of counternarcotics cooperation between the United States and Mexico. In May, the two Presidents issued the "Declaration of the U.S.-Mexico Alliance Against Drugs" and released the *Bi-National Drug Threat Assessment*. In November, the two Presidents approved a summary of a binational drug strategy. Both leaders have committed to strengthen their governments' respective anti-drug efforts and to continue to work toward closer and more effective bilateral anti-drug cooperation.

The U.S./Mexico High-Level Contact Group on Narcotics Control (HLCG) and the Senior Law Enforcement Plenary continued to serve as the principal senior-level fora for expanding and enhancing bilateral counter-drug cooperation. The HLCG met three times in 1997, the Plenary twice, and their technical working groups, which cover issues ranging from chemical control to demand reduction, met throughout the year. The HLCG supervised the preparation of the bilateral threat analysis and the *United States/Mexico Binational Drug Strategy*, which was released on February 6, 1998.

During 1997, the Government of Mexico (GOM) took steps to begin implementing the important legislative reforms of 1996 to advance its national efforts against drug trafficking and organized crime. It developed a number of specialized investigative units, such as the Organized Crime and Financial Intelligence Units, to implement those laws. The Bilateral Border Task Forces, created in 1996, had to be reconstituted in 1997, however; Mexican personnel are assigned and working in these units, but are cooperating with U.S. law enforcement counterparts on a limited basis. Agents assigned to the new Special Prosecutor's Office and to the elite investigative units underwent more rigorous screening and background checks than their predecessors and the process is being expanded to all parts of the Office of the Attorney General (PGR). The GOM improved training for the new agents, and plans to improve salaries and benefits as well. The U.S. provided training, technical and material support.

The GOM published regulations needed to implement anti-money laundering legislation passed in 1996 and began to work with financial institutions to improve the effectiveness of its national reporting system for suspicious and large currency transactions. The Mexican Congress began its review of new asset forfeiture legislation. In December, the Mexican Congress passed a comprehensive chemical control bill enabling the GOM to regulate all aspects of commerce in precursor and essential chemicals to prevent their diversion to illicit drug production. The Chemical Experts Working Group promotes bilateral cooperation and information sharing.

The GOM wrestled with very serious corruption issues in 1997, including an internal investigation which implicated General Jesus Gutierrez Rebollo, the head of its federal drug law enforcement agency. He and a number of co-conspirators are being prosecuted, and the agency he headed was replaced by a new institution. Mexico is seeking both to uncover ongoing cases of corruption as well as to strengthen justice sector institutions to withstand corrupting influences and pressures. President Zedillo has made this a national priority, but acknowledged that lasting reform will take time.

Drug seizures in 1997 generally increased over 1996 levels. Mexican authorities seized 34.9 MT of cocaine, 115 kgs of heroin, 343 kgs of opium gum, 1,038 MT of marijuana, 39 kgs of methamphetamine, and destroyed 8 clandestine laboratories. The GOM's massive drug crop eradication effort reduced net production of opium gum from an estimated 54 MT in 1996 to 46 MT in 1997, and of marijuana from 3,400 MT in 1996 to 2,500 MT in 1997. Authorities arrested 10,742 suspects on drug-related charges. At least eight individuals considered by U.S. law enforcement authorities

to be major traffickers were tried and sentenced to prison terms of 9 to 40 years, including Joaquin Guzman Loera (21 years), Hector Luis Palma Salazar (22 years), Miguel Angel Felix Gallardo (12 years), Raul Valladares del Angel (29 years). Unfortunately, Humberto Garcia Abrego was released and Rafael Caro Quintero succeeded in obtaining a reduction in his sentence.

In 1997, the U.S. and Mexico made further progress in the return of fugitives. A new Protocol to the Extradition Treaty, signed at the time of President Zedillo's visit to Washington in November, will aid the two governments in their efforts to combat transnational crime by permitting "temporary" extradition of fugitives sentenced in one country to face criminal charges in the other. The GOM approved the extradition of 27 fugitives from U.S. justice (12 for drug charges) although nine (all Mexican nationals, five facing drug charges) are appealing the GOM's extradition order, or face charges in Mexico. Thirteen fugitives (seven on drug charges) were formally extradited; ten other fugitives (eight U.S. citizens and two third-country nationals) were expelled by the GOM to the U.S. in lieu of extradition.

Mexico made progress in its anti-drug effort in 1997 and cooperated well with the United States. Nevertheless, the problems that Mexico faces in countering powerful criminal organizations, and the persistent corrupting influence that they exert within the justice sector, cannot be minimized. There are also areas of bilateral cooperation which must be improved for the two governments to achieve greater success in attacking and dismantling the trans-border drug trafficking organizations. The U.S. is convinced, however, of the Zedillo Administration's firm intention to persist in its campaign against the drug cartels and its broad-sweeping reform effort. Through daily interaction between agencies of the two governments, formal discussions in the HLCG and other bilateral groups, as well as collaboration in multilateral fora, the two governments are finding increasingly productive ways to work together against the common threats our nations face.

Panama

Panama is major transit point for Colombian cocaine and heroin on its way to the United States. Cocaine passes through Panamanian territorial waters concealed in fishing boats or "go-fast" boats. Some of it is off-loaded on the Panamanian coast and then transported by truck up the Pan-American Highway into Costa Rica where it is then bound for the US. It is also carried by "mules" traveling by air to the US and Europe. There is no evidence that any senior official of the Government of Panama is involved in any drug scenarios nor does government policy encourage or facilitate drug-related criminal activity. However, the amount of drugs seized by Costa Rican border officials from tractor trailers entering from Panama is suggestive of either inadequate inspections or corruption on the part of Panamanian border officials. Corruption in the Judiciary remains a concern, particularly because judges are vulnerable to political influence and are susceptible to threats.

Panama continued to cooperate with U.S. in counternarcotics efforts in 1997. In 1997, they took steps to implement its counternarcotics masterplan, which was developed by the National Commission for the Study and Prevention of Drug Related Crimes, a part of their public ministry. The plan deals with prevention, treatment, rehabilitation, and re-entry into the workforce; control of supply; and illicit trafficking. It encompasses state and non-governmental organizations. Panama also hosted the "First Hemispheric Congress on the Prevention of Money Laundering" and became the first Latin American country to be admitted to the Egmont Group, an alliance of 30 nations with centralized financial analysis units to combat money laundering. Panama is also an active participant in the Commission Against Addiction and Illicit Trafficking of Drugs (CICAD), the Caribbean Financial Action Task Force (CFATF) and the Basel Committee's Offshore Group of Bank Supervisors.

In 1997, Panamanian officials seized 21.62 metric tons (MT) of illegal drugs, including 7 MT of cocaine. Although Panama gives law enforcement a high priority, this is not reflected by the scant resources and low wages it provides some of its law enforcement agencies which lack equipment, training and base facilities.

Panama needs to sign the maritime interdiction treaty with the U.S. that was negotiated and approved by the General Directorate of Consular and Maritime Affairs earlier this year. They need to undertake a fundamental and wide-ranging reform of the judicial system to ensure it is protected from political influence and corruption. Panama needs to sign the agreement with the U.S. to establish a Multinational Counternarcotics Center (MCC) at Howard Air Force Base. Negotiations were essentially completed on this agreement in late 1997, when the GOP raised new concerns. The GOP also needs to enact bank reforms it announced in 1997 and enact legislation to extend the existing law against drug money laundering to include the proceeds from all serious crimes.

Peru

Following the 1996 reduction in coca cultivation, Peruvian coca cultivation declined dramatically in 1997, from 115,300 hectares (with the potential to produce 460 metric tons of cocaine) in 1995 to less than 69,000 hectares (with the potential to produce 325 metric tons of cocaine) in 1997. The 1997 percentage decrease in the total area under coca cultivation was 27 percent, following the 18 percent decline in 1996. A strong commitment by the Government of Peru (GOP) to forcibly eradicate illicit mature coca in national parks and other areas by manual labor means resulted in over 3,462 hectares destroyed in 1997, a 175 percent increase over 1996.

This success was the offspring of a combined Peruvian Air Force (FAP) and Peruvian National Police Drug Directorate (DINANDRO) "airbridge denial" interdiction program and increasingly effective narcotics law enforcement. These two USG-supported programs continued to deter traffickers from using their preferred method of exporting large quantities of cocaine base by air for further refining into cocaine hydrochloride (HCl) in Colombia and elsewhere. "Airbridge denial" success maintained a cocaine base glut in the coca cultivation zones and below-production-cost farmgate coca prices. The collapse of coca leaf prices spurred greater numbers of farmers to accept the economic alternatives to coca offered by the USG-Peru alternative development project, which expanded in 1997.

The joint U.S.-GOP alternative development program was successful in strengthening local governments, providing access to basic health services and promoting licit economic activities, thereby establishing the social and economic basis for the permanent elimination of coca. A total of 239 communities have signed coca reduction agreements to reduce coca by approximately 16,300 hectares over the next five years.

Responding to traffickers developing new smuggling methods on Peru's rivers, across land borders and via maritime routes, Peruvian counternarcotics agencies, in particular DINANDRO and the Peruvian Coast Guard, established several riverine counternarcotics bases and increased resources for riverine anti-drug operations. Cooperating with USG law enforcement partners and advisors, DINANDRO worked extensively with drug police from Colombia and Brazil to share counternarcotics intelligence and to participate in joint law enforcement operations in the Amazonian tri-border area.

In 1997, the Government of Peru (GOP) cooperated fully with the USG in fulfilling the objectives of the USG-Peruvian counternarcotics framework agreement and of the 1988 UN Drug Convention, to which Peru is a party. Counternarcotics activities remained a GOP national priority, and Peru's 1997 "National Plan for Alternative Development, Drug Prevention and Rehabilitation" set goals of reducing illicit coca production by approximately 50 percent within five years.

Taiwan

Given trafficking patterns in the region and Taiwan's role as a shipping center, the U.S. believes Taiwan remains a transit point for drugs significantly affecting the U.S. While Taiwan authorities dispute this assessment, there is no disagreement with regard to the fact that individuals from Taiwan continue to be involved in international narcotics trafficking. Some 67 percent of all drugs smuggled into Taiwan are believed to come from China. Whatever their belief about Taiwan's transit role, Taiwan authorities continue to mount an aggressive counternarcotics campaign that involves both social rehabilitation programs and harsh sentences for narco-trafficking. Although Taiwan is not a UN member and cannot be a signatory to the 1988 UN Drug Convention, it tries to meet Convention goals regarding precursor chemicals via an active program to control the products of its large chemical industry. In addition, Taiwan authorities have come to recognize that money laundering is a growing problem. In 1997, a Money Laundering Prevention Center was established under the auspices of the Ministry of Justice Investigation Bureau.

Cooperation between USG law enforcement agencies (under the auspices of the American Institute in Taiwan) and Taiwan law enforcement institutions continued to expand in 1997. Drug Enforcement Administration (DEA) and Financial Crimes Enforcement Network officials have led training seminars for Taiwan counterparts and have broadened their range of contacts within Taiwan's law enforcement community. Taiwan authorities have generally responded positively and constructively to U.S. requests on counternarcotics issues. With the opening of the Money Laundering Prevention Center, authorities have started sharing with USG law enforcement officials Taiwan-originated information related to money laundering cases where the flow of money leads to the U.S. In addition, Taiwan Ministry of Justice investigation officers assisted DEA agents with a case involving a shipment of drugs to Guam.

Taiwan's counternarcotics enforcement activities led to a 19.1 percent increase in drug convictions in the first ten months of 1997 over all of 1996. Drug seizures also increased. The Money Laundering Prevention Center pursued investigations in all 360 cases of reported suspicious transactions. Taiwan also continues to prosecute cases of public corruption. There are, however, no known cases of official involvement in narcotics trafficking.

Thailand

Throughout 1997 Thailand continued its long tradition of cooperation with the United States and the international community in anti-drug programs. The U.S.-Thai Mutual Legal Assistance Treaty has been in effect since the middle of 1993, and USG requests for assistance under the Treaty have been consistently honored by the RTG. Cooperation between the USG and Thailand in a number of areas, not specifically covered by formal agreements, is long standing, close and productive. DEA works closely with Thai drug authorities in investigating major heroin trafficking organizations, providing training and developing Thai drug enforcement capabilities. The U.S. Customs Service and Department of Defense have cooperated with various agencies on anti-smuggling projects. DOD is also supporting training initiatives with selected Border Patrol and Narcotics Police units, and has assisted development of the regional Drug Task Forces.

In another example of responsive drug enforcement cooperation, after the illegal release on bail of a major drug fugitive awaiting extradition to the United States, Thai authorities moved quickly to secure his return from Burma, expedited his extradition and ultimately removed the judge responsible for granting the bail. Thailand's continuing cooperation on extraditions involved sending 17 individuals to the U.S., all but one of whom

were defendants in drug cases, and some of whom were Thai nationals or claimed Thai citizenship.

USG experts estimated that Thai opium production in the 1996-97 growing season declined seventeen percent from the previous year's production, to 25 metric tons. Control programs have resulted in a reduction of the amount of poppy grown from an estimate of up to 200 metric tons in the 1970's, to an estimated 25 metric tons in 1997.

Although Thailand has yet to become a party to the 1988 UN Drug Convention due to its lack of anti-money laundering laws, progress was achieved with money laundering legislation, previously approved in Cabinet, introduced in Parliament and passed through the first of three readings. Thai officials have committed to the passage of the laws during upcoming parliamentary sessions. Thailand is generally in compliance with the 1988 UN Drug Convention except for enacting anti-money laundering statutes. It enforces laws against the cultivation, production, distribution, sale, transport, and financing of illicit drugs. Last year penalties for possession of methamphetamines were increased. As of October 1997, 282 cases opened under the asset seizure and conspiracy statutes amounted to over 17 million dollars seized or frozen. Thai authorities do, however, need to strengthen the conspiracy law and create additional legal tools to make prosecutions of higher level offenders possible. Thailand's level of international and bilateral cooperation on drug control is expected to remain high, with the Kingdom setting an example regionally for effective drug control programs, despite current economic difficulties.

Venezuela

Venezuela continues to be a major transit country for cocaine shipped from South America to the United States and Europe. Law enforcement agencies estimate that over 100 metric tons (mt) of cocaine transit yearly. Venezuela is also a transit country for chemicals used in the production of drugs in source countries. Venezuela is not a significant producer of illegal drugs, but small-scale opium poppy cultivation occurs near the country's border with Colombia. In recent years, Venezuela's relatively vulnerable financial institutions have become targets for money laundering of illegal drug profits.

In 1997, Venezuela took significant steps to improve its counter-narcotics activity. A new drug czar (appointed at the end of 1996) received ministerial rank and a mandate to step up implementation of Venezuela's comprehensive 1993 anti-drug law. Seizure statistics increased more than 150 percent over those in 1996. Venezuela's congress passed legislation to control gambling casinos (a prime money laundering target) and the government adopted new banking regulations with strict reporting requirements. The National Anti-Drug Commission (CNA, formerly CONACUID) released a national anti-narcotics strategy containing a comprehensive set of goals for the next four years. These goals include judicial reform and a new organized crime bill with conspiracy, asset forfeiture, and additional anti-money laundering provisions.

Bilateral cooperation between Venezuela and the U.S. received a boost during the October 1997 visit of President Clinton to Caracas. The two countries signed a joint declaration of "Strategic Alliance Against Drugs." The declaration addressed most of the areas of the 1988 UN Convention (ratified by Venezuela in 1991) and specific areas of bilateral concern raised in the course of bilateral discussions during the year. During this visit, the two countries also signed a mutual legal assistance treaty (MLAT). 1997 also saw increased cooperation between Venezuela and the U.S. in maritime interdiction of illegal drug shipments.

Some problem areas remain. Narcotics-related corruption in law enforcement, the judiciary, financial institutions, and the prison system are continuing concerns. The Government of Venezuela does not as a matter of policy

or practice encourage or facilitate drug trafficking or money laundering, nor do its senior officials engage in, encourage, or facilitate such activities. Port control needs to be improved. The new anti-money laundering legislation needs to be implemented with an effective control regime and organized-crime/asset forfeiture legislation should be given a high priority. Venezuela continues to lack an effective air interdiction strategy.

Nevertheless, Venezuela demonstrated a high-level political commitment to combat narcotics trafficking and related crime during 1997. The U.S. will support Venezuela's stepped-up counternarcotics effort and will work closely with Venezuela in areas of common concern as money laundering and diversion of precursor/essential chemicals. The U.S. will also seek ways to support judicial reform and to enhance cooperation in maritime interdiction efforts.

Vietnam

Drug trafficking through Vietnam and domestic drug abuse continue to increase, particularly among young people with rising incomes. At the same time, intense media coverage of narcotics arrests and trials, especially stiff sentences, including several executions, highlighted a "get tough" approach with traffickers and corrupt mid-and-lower level government officials. Law enforcement authorities also increased drug seizures, investigations, and prosecutions, generally. The number of drug arrests increased by 25 percent in the first six months of 1997, compared with the same period last year. This followed an even larger increase (66 per cent) in 1996. Some 70 percent of the cases involved heroin. A spot raid in Ho Chi Minh City netted 96 youngsters (mostly age 15-16) who were dealing in heroin. In another incident, a judge in Ky Son District (the area of heaviest drug production and transit) was arrested in March for trafficking in opium, but he later escaped. A Haiphong Court also imposed stiff sentences on several drug pushers said to have lured teenagers into heroin use. Traffickers seem to have modified their transit routes somewhat in response to these stepped-up enforcement efforts.

The Socialist Republic of Vietnam (SRV) took two major initiatives during 1997: it established an Anti-Narcotics Division (AND) of the People's Police and reorganized and elevated responsibility for drug policy coordination, which is now under a Deputy Prime Minister. It also ratified the 1988 UN Drug Convention in November. After considerable success reducing opium poppy cultivation in the past few years, cultivation may once again be increasing. Vietnam claims to have reduced poppy cultivation from over 20,000 hectares in the late 1980's and early 1990's to 2,885 hectares in 1995/96. USG experts, however, estimated an increase from 3,150 hectares in 1996 to 6,150 hectares in 1997. The United States and Vietnam are negotiating a narcotics cooperation letter of agreement. During 1997, the Vietnamese welcomed a visit by the Drug Enforcement Administration's (DEA) Chief of International Operations. There were also regular visits by DEA officers based in Embassy Bangkok.

VITAL NATIONAL INTERESTS JUSTIFICATIONS

Cambodia

A transit point for Southeast Asian heroin as well as a source country for marijuana, Cambodia experienced violent internal conflict in early July 1997. This conflict, and the high-level political infighting leading up to it, disrupted USG counternarcotics efforts aimed at helping to build a credible counternarcotics and law enforcement infrastructure. Indeed, all direct USG assistance to the government has been suspended, although some humanitarian and democracy-building programs continue.

In recent months, Cambodia appears to have begun to try to refocus its counternarcotics efforts. Counternarcotics agencies appear to be targeting

trafficking organizations more aggressively, but their staffs remain poorly trained and equipped. Military and police personnel have been arrested for their involvement in narcotics-related activities, suggesting an effort at rooting out at least some drug corruption. DEA, U.S. Customs and other USG agencies continue to have access to Cambodian counterparts and generally characterize cooperation as good, in that interlocutors are willing to share information and to respond, to the extent possible, to requests for assistance.

However, the continuing instability has politicized the counternarcotics effort. Various Cambodian factions have charged political opponents with engaging in illegal narcotics activities, often with the objective of drawing US personnel into appearing to support one or another party or individual. Politicization of the counternarcotics effort has undermined some of the value of USG assistance and harmed cooperation. Moreover, little has been done by the Royal Government of Cambodia (RGC) to assuage international concerns about allegations of high-level government corruption, leaving Cambodia's commitment to counternarcotics efforts in doubt at this time.

The US, jointly with ASEAN and the UN, is now engaged in a diplomatic effort to urge the RGC to restore the Paris Peace Accords' framework by permitting free and fair elections this year. Should this effort to promote accountable democratic governance in Cambodia succeed, it will be vital to maintain our ability to provide all types of counternarcotics, as well as other assistance, if appropriate, to strengthen independent judicial systems and foster accountable institutions of civil society in Cambodia. Assistance to support democratic development and long-term economic stability in Cambodia is a key element of our overall long-term commitment to stability and openness in the Asia-Pacific region. Cambodia figures in our own strategic interest in ASEAN's long-term political and economic stability, especially since Cambodia continues to have an interest in becoming a member of ASEAN. Accordingly, while it is not appropriate at this time to certify Cambodia as either fully cooperating with the United States or taking adequate steps on its own to combat drug production and trafficking, the risks posed by inadequate counternarcotics performance are outweighed by the risks posed to US vital national interest if assistance is not available.

Colombia

As in previous years, Colombia remained the world's leading producer and distributor of cocaine and an important supplier of heroin and marijuana. Notwithstanding significant eradication in the Guaviare region, coca cultivation in southern Colombia grew markedly, leading to an increase in coca cultivation overall.

In November 1997, the Colombian Congress passed a constitutional amendment reversing the 1991 Constitutional ban on the extradition of Colombian citizens. This represents significant progress, and is due in large part to effective lobbying of the Government of Colombia (GOC) and the Colombian Congress and Senate by the Colombian private sector. Unfortunately, the final bill falls short because it contains a ban on retroactive application. The Government and members of the Colombian Congress have filed challenges to this ban. However, if the ban is upheld by Colombia's Constitutional Court, then the Cali kingpins would be placed beyond the reach of U.S. justice for crimes committed before December 1997. Moreover, the constitutional bill may also require implementing legislation, which the GOC has promised to seek before President Samper leaves office in August 1998. This legislation could give opponents of extradition another opportunity to weaken extradition.

In early 1997, Colombia passed excellent legislation which stiffened sentences for narcotics traffickers, strengthened regulations affecting money-laundering and permitted forfeiture of the assets of narcotics traffickers.

Implementation of these strong laws by the GOC has been disappointingly slow and the GOC has yet to apply them aggressively.

The GOC also took measures to improve prison security in Colombia, giving the Colombian National Police (CNP) responsibility for security in the maximum security pavilions housing the major narcotics traffickers, a great improvement. However, continued attention has not been given to the problem. The U.S. Embassy has heard fewer reports of traffickers carrying out their illicit business activities with impunity from their cells, but there are still indications that the drug kingpins maintain some ability to operate their criminal enterprises and exert influence from prison.

The Colombian Government made only limited progress in 1997 against narcotics-related corruption. Several former congressmen and the mayor of Cali were sentenced on corruption charges stemming from the "Caso 8000" investigation. The GOC has demonstrated little inclination to root out official corruption and to strengthen democratic institutions from the corrupting influence of narcotraffickers.

The Colombian National Police and selected units of the military involved in counternarcotics activities produced impressive results in 1997. Figures for both eradication and seizures were up, despite significant challenges from heavily-armed narcotics traffickers and several elements of the guerrilla movements which support them. The maritime agreement signed in early 1997 has been successfully implemented and resulted in interdiction of several cocaine shipments.

Although the GOC has made important progress in some areas this year, the USG cannot certify Colombia as fully cooperating with the United States on drug control, or as having taken adequate steps on its own to meet the goals and objectives of the 1988 UN Drug Convention. Poor government performance in the extradition debate, lack of a concentrated effort to combat official narcotics-related corruption and still lagging enforcement of strong counternarcotics laws all argue against certification.

However, the vital national interests of the United States requires that U.S. assistance to Colombia be provided. The continuing dominance of Colombian cartels in the cocaine industry, their growing role in the heroin trade and the growing role of the guerrillas in shielding and protecting illicit drug production make the challenges in Colombia greater than ever before. To meet these challenges, we need to work even more closely with the GOC to expand joint eradication efforts in new coca growing areas in southern Colombia and in opium cultivation zones, to enhance interdiction, and to strengthen law enforcement. The GOC would not likely approve such an expanded program if denied certification for a third straight time. We have a unique opportunity with significant US-supplied assets deployed and the commitment of the CNP and elements of the armed forces to strong efforts in these areas. However, they will need increased resources and training to perform these tasks adequately. Strong leadership must come from the Colombian government to reform and defend essential democratic institutions, such as the country's judiciary. The coming elections may provide opportunities for further cooperation.

Moreover, key elements of US assistance which could help in this effort, such as potential foreign military financing (FMF) and international military education and training (IMET), could not be provided to our allies for counternarcotics operations if Colombia were denied certification again. Indeed, this year the President deemed necessary the provision of FY97 IMET and previous year FMF by means of a waiver under Section 614(b) of the FAA.

U.S. economic engagement is also a critical element in counterbalancing the influence of drug money in the Colombian economy. After two years of denial of certification, U.S. companies, without access to OPIC and EXIM Bank financing, have lost significant business to competitors. With a vital

national interest certification, U.S. companies will be able to compete on a level playing field for up to \$10 billion in upcoming major contracts.

In making the decision to provide a vital national interests certification to Colombia this year, we were mindful of the deteriorating security and human rights environment in Colombia, the threat to that country's democracy, and the threat posed to Colombia's neighbors and to regional stability. The cumulative effects of Colombia's forty-year old insurgency, narco-corruption, the rise of paramilitaries, the growing number of internally displaced Colombians, growing incidents of human rights abuses, and the potential threat that Colombia's violence and instability pose to the region all require a vital national interests certification. Such a certification is necessary so that the USG can provide assistance in order to broaden and deepen its engagement with this and the next Colombian government in an effort to effectively confront and eliminate narcotrafficking. The threats to U.S. vital national interests posed by a bar on assistance outweigh the risks posed by Colombia's inadequate counternarcotics performance.

Pakistan

Pakistan is a major producer and an important transit country for opiates and cannabis destined for international markets. In 1997, Pakistan produced approximately 85 metric tons (mts) of opium, an estimated increase of 13.3% from 1996. Heroin and opium seizures increased, but the overall record of law enforcement action continued to be poor. Seizures of precursor chemicals improved substantially. The Nawaz Sharif government, which took office in February 1997, voiced greater concern about Pakistan's narcotics problems, although this has not yet manifested itself in essential counternarcotics actions.

The 1997 counternarcotics efforts of the Government of Pakistan (GOP) were seriously deficient. The two major accomplishments were passage of the comprehensive drug control legislation and destruction of heroin processing laboratories in Pakistan's Northwest Frontier Province. One major arrest requested by the USG took place, but there were no known trials of previously arrested drug kingpins and no extraditions of the 23 individuals requested by the USG for narcotics-related offenses. Opium and heroin seizures increased and acetic anhydride seizures sharply increased, but the GOP did not interdict any large opiate smuggling caravans on the well-traveled Baluchistan route from Afghanistan into Iran.

The GOP made no progress in crop eradication. Poppy cultivation increased 21% and opium production increased 13%, despite USG programs and USG-assisted UNDCP programs which had made steady progress in decreasing production and poppy cultivation in the past five years. The increase was primarily due to the GOP's failure to enforce the poppy ban in Dir District, the site of highest opium poppy growth, despite warnings from both UNDCP and the USG that the GOP must continue to press tribal groups living in that district to eradicate illicit opium poppy. The GOP also made no progress in demand reduction. There were no new programs designed to control Pakistan's addict population, estimated to be between 3 and 5 million. The GOP estimates the addict population growth at 7% a year.

USG/GOP law enforcement cooperation was severely strained by the arrest, torture, courtmartial and conviction of a DEA employee involved in an operation which identified Pakistani Air Force Officers involved in drug smuggling to the U.S. These steps were taken by elements of the GOP with the full involvement of the country's Anti Narcotics Force (ANF). Recently, the GOP reduced the DEA employee's prison sentence on appeal. The Administration remains engaged with the GOP in seeking the release of this employee from prison.

Pakistan is a party to the 1988 UN Drug Convention, which it ratified in October 1991, but implementing legislation on money laundering has

not yet been drafted. While Pakistan's Control of Narcotics Substances Act, passed in 1997, deals with drug-related money laundering, Pakistan must still criminalize money laundering from non-drug related offenses.

The USG/GOP bilateral agreement provides funding for law enforcement, roads and crop substitution in the NWFP, and demand reduction activities. The GOP made very little progress in meeting the goals of the bilateral agreement and 1988 UN Drug Convention in 1997. The continued detention of the DEA employee, despite repeated urgings at the highest levels for his release, seriously complicates the counternarcotics relationship. Because of this and because of the GOP's poor counternarcotics law enforcement record and the substantial upsurge in illicit poppy growth, Pakistan cannot be judged to have cooperated fully with the USG or taken adequate steps on its own to meet the requirements of the 1988 U.N. Drug Convention.

However, vital U.S. national interests would be damaged if Pakistan were to be denied certification. Implementing sanctions would vitiate the broader U.S. policy of high-level engagement, including strong support for Prime Minister Sharif's commitment to hold a dialogue with India as well as to strengthen democracy and reform the economy.

Helping the GOP to strengthen its economy and to move towards a more liberal, broader-based market economy is one of the USG's major goals. Yet, a number of new or potential initiatives would be halted or thrown into question by denial of certification. This could include such fundamental programs such as those funded by OPIC and EX-IM, PL 480 projects involving commodities other than food, and possibly the funding of NGOs. Certification denial would also require the U.S. to vote against Pakistan in multilateral development banks ("MDBs") at a time when Pakistan is vulnerable to a financial crisis. The combination of such negative votes and removal of possible assistance could weaken Pakistan's investment climate, increase its prospects for sliding into financial insolvency and sharply inhibit our ability to help the GOP modernize its economy.

In addition to this statutory basis for a vital national interests certification, it should also be recognized that denial of certification could jeopardize broader interests between the U.S. and Pakistan, including the ability to achieve meaningful progress with the GOP on such important goals as non-proliferation and Afghanistan.

Accordingly, while it is not appropriate at this time to certify Pakistan as either fully cooperating with the United States or taking adequate steps on its own to combat drug production and trafficking, the risks posed by inadequate counternarcotics performance are outweighed by the risks posed to US vital national interests if U.S. assistance was no longer available and the U.S. was required to vote against loans to Pakistan in MDBs, thus justifying a vital national interests certification.

Paraguay

A determination to decertify Paraguay would be justified in view of its substantial lack of achievement in meeting its counternarcotics goals in 1997. However, the vital national interests of the United States require certification, so that the assistance, withheld pursuant to provisions of the Foreign Assistance Act of 1961, can be provided.

Paraguay is a transit country for cocaine, primarily Bolivian, en route to Argentina, Brazil, the United States, Europe and Africa, as well as a source country for high-quality marijuana. Paraguay was fully certified for 1996, after the Government of Paraguay (GOP) adopted a national drug control strategy, promulgated an anti-money laundering law, and increased its counternarcotics cooperation with the United States and regional countries. Paraguay's counternarcotics goals for 1997 included investigating major cocaine traffickers, making significant seizures and arrests, preventing the escape of arrested drug traffickers, implementing the money laundering law

and provisions of the anti-drug law (Law 1340/88) aimed at punishing and preventing official corruption, enacting legislation authorizing controlled deliveries and undercover operations, as well as criminalizing drug-related conspiracy.

Unfortunately, Paraguay did not come close to meeting any of these objectives. Responsibility for the failure to do so is shared by all branches of the Paraguayan government. There were no successful investigations of significant traffickers. Although cocaine seizures showed a minimal increase over 1996, all involved minor traffickers. The largest seizure was accompanied by the arrest of four suspects caught in possession of over 21 kilos of cocaine. However, a criminal court judge freed all four on what appear to be spurious grounds; this judge received a minor disciplinary sanction and continues to serve in office. Judicial corruption was also suspected in connection with Paraguay's refusal to extradite a suspected narcotics trafficker to France. In that case, a lawyer was recorded accepting an alleged bribe to pass on to an appellate judge; the judge subsequently was removed from office for his actions in yet another case.

Paraguay is a major money laundering center, but it is unclear what portion is drug-related. The promulgation of the 1996 money laundering law, and the creation of an anti-money laundering secretariat (SEPRELAV), in January 1997, now provides the GOP with the legal tools necessary to move against this criminal activity, but little has been done so far to apply the law. SEPRELAV also has not been provided with a budget to enable it to operate as an independent organization.

The Paraguayan Congress, controlled by the opposition parties, made no progress on a major revision of the anti-drug law, which was submitted by the GOP in 1995. The GOP did not submit new legislation to authorize controlled deliveries, undercover operations or criminalize drug-related conspiracy. It also failed to complete a precursor chemical monitoring survey that was promised in 1996.

In part, these failures were due to the GOP's allowing itself to become distracted by election-year politics, particularly by its opposition to the presidential candidacy of former Army Commander, and unsuccessful 1996 coup plotter, Lino Oviedo. The GOP and opposition parties also demonstrated reduced political will to confront the politically influential and economically powerful frontier commercial and contraband interests during an election year.

The GOP, realizing its shortfalls on counternarcotics cooperation and cognizant of the USG decision on certification, recently has reaffirmed its political will to prioritize counternarcotics efforts, including taking law enforcement action against significant narco-traffickers, agreeing to negotiate a new bilateral extradition treaty with the USG, and preparing a draft law to explicitly authorize controlled deliveries. While positive steps, these measures have yet to bear fruit; their possible fulfillment will have a bearing on next year's certification decision, not this year's.

Denial of certification would, however, cut off assistance programs designed to meet the priority US goal of strengthening Paraguay's democratic institutions, at precisely the moment when those institutions are being severely tested by the stress of hotly-contested presidential, congressional and gubernatorial election campaigns. Denial of certification at this time could have an unintended negative impact on the ongoing election campaign. Denial of certification would also jeopardize ongoing cooperation and assistance programs with the GOP against other international crimes (smuggling, intellectual property piracy, terrorism). Moreover, vital national interests certification would help to promote the political will and positive action against narcotics trafficking that we will seek from the next GOP.

The risks posed to all of these US interests (promoting democracy, cooperation against other crimes and continued counter-terrorism cooperation) by a cutoff of bilateral assistance outweigh the risks posed by Paraguay's failure

to cooperate fully with the USG, or to take adequate steps to combat narcotics on its own.

STATEMENTS OF EXPLANATION

Afghanistan

Afghanistan continued as the world's second largest producer of opium poppy, according to USG estimates. Land under poppy cultivation and opium production rose 3 percent in 1997 according to US satellite surveys. Continued warfare, destruction of the economic infrastructure and the absence of a recognized central government with control over the entire country remain obstacles to effective drug control.

The inaction and lack of political will of the Taliban faction, which controls 96 per cent of Afghanistan's opium-growing areas, as well as substantial drug trade involvement on the part of some local Taliban authorities impede meaningful counternarcotics progress as well. The Taliban, formed by religious students, began its military campaign in Afghanistan in 1994 and assumed effective control over two thirds of the country in fall 1996. There is no evidence that the Taliban or any other faction controlling Afghan territory took substantive law enforcement or crop eradication action in 1997.

Although the Taliban condemned illicit drug cultivation, production, trafficking and use in 1997, there is no evidence that Taliban authorities took action to decrease poppy cultivation, arrest and prosecute major narcotics traffickers, interdict large shipments of illicit drugs or precursor chemicals or to eliminate opiate processing laboratories anywhere in Afghanistan in 1997. Narcotics remain Afghanistan's largest source of income, and some Taliban authorities reportedly benefit financially from the trade and provide protection to heroin laboratories. There are numerous reports of drug traffickers operating in Taliban territory with the consent or involvement of some Taliban officials. Taliban authorities called for international alternative development assistance as a precondition to eradicating opium poppy cultivation. Afghanistan is a party to the 1988 UN Drug Convention.

In November 1997, the Taliban responded to a UNDCP initiative by agreeing to eliminate poppy cultivation in districts where alternative development was provided, to control poppy cultivation in areas where poppy was not previously grown and to eliminate morphine and heroin laboratories when these sites were brought to their attention. To date, these commitments have not been tested.

The USG strongly supports the UN Secretary General's Special Envoy for Afghanistan, Ambassador Lakhdar Brahimi, and the UN Special Mission to Afghanistan in their efforts to promote a cease-fire, followed by negotiations leading to a broad-based government that can address the problems of narcotics, terrorism and humanitarian concerns. We assist the peoples of Afghanistan, subject to resource availability, primarily through UN programs aimed at humanitarian relief, reconstruction and counternarcotics. In 1997, USG transferred \$1.6 million in FY-95 and FY-96 funds earmarked for UNDCP to help finance UNDCP's capacity building project and poppy reduction projects in Afghanistan. The USG also provided an initial \$269,202 of a \$772,905 poppy reduction/alternative development project being implemented by an American non-governmental organization (NGO), Mercy Corps International (MCI) in Helmand Province.

Since U.S. legislation makes special allowance for continuation of such assistance generally, notwithstanding any other provision of law, denying certification of Afghanistan would have minimal effect in terms of implementation of this policy.

Continuation of large-scale opium cultivation and trafficking in Afghanistan, plus the failure of the authorities to initiate law enforcement actions, preclude a determination that Afghanistan has taken adequate steps on its

own or that it has sufficiently cooperated with USG counternarcotics efforts to meet the goals and objectives of the UN 1988 Drug Convention, to which Afghanistan is a party. Accordingly, denial of certification is appropriate.

Burma

Burma continues to be the world's largest source of illicit opium and heroin. In 1997, production declined slightly from the previous year's levels; estimates indicated there were 155,150 hectares under cultivation, which could yield a maximum of 2,365 metric tons of opium.

On the law enforcement front, the Government of Burma (GOB) seized more opium and heroin, and raided more laboratories than in the past. These were welcome developments, but, given the extent of the problem, they were insufficient to make noticeable inroads against drug trafficking and production. Seizures of amphetamines and the precursor chemical acetic anhydride declined. There were no arrests of major traffickers. Drug lord Chang Qifu (Khun Sa), who "surrendered" to Burmese authorities in 1996, was not brought to justice, and the GOB continued to refuse to render him to the United States. The GOB did return a U.S. fugitive to Thailand, which extradited him to the United States.

Several ethnic groups declared that they would establish opium free zones in their territories by the year 2000, and the GOB undertook some eradication efforts as well. Establishment of opium free zones would require considerable time and investment of resources. The Government of Burma approved a United Nations Drug Control Program, a five-year alternative development project in the ethnic Wa region; as the year closed, UNDCP was making arrangements to initiate work.

Money laundering and the return of narcotics profits laundered elsewhere appear to be a significant factor in the overall Burmese economy. An under-developed banking system and lack of enforcement against money laundering have created a business and investment environment conducive to the use of drug-related proceeds in legitimate commerce. The GOB has encouraged leading narcotics traffickers systematically to invest in infrastructure and other domestic projects.

USG counternarcotics cooperation with the Burmese regime is restricted to basic law enforcement operations and involves no bilateral material or training assistance. The USG remains concerned over Burma's commitment to effective counternarcotics measures, human rights, and political reform. The USG is prepared to consider resuming appropriate assistance contingent upon the GOB's unambiguous demonstration of a strong commitment to counternarcotics, the rule of law, punishment of traffickers and major trafficking organizations (including asset forfeiture and seizure), anti-corruption, eradication of opium cultivation, destruction of drug processing laboratories, and enforcement of money laundering legislation.

Iran

Iran has strengthened its counternarcotics performance during the past year—particularly in the area of interdiction—but direct information is limited because the United States has no diplomatic presence in the country.

Iran's interdiction efforts are apparently vigorous, if partially effective. Costly physical barriers and aggressive patrolling of its eastern borders have led to Iranian claims of record narcotics seizures of nearly 200 tons last year—and significant Iranian casualties as well. But with an estimated 1,000 tons of opiates crossing the country each year, Iran remains the major transit route for opiates from Afghanistan and Pakistan to the West, although we do not have recent data on the amount that may reach the United States. Punishment of traffickers is harsh but drug trafficking continues on a large scale.

Cultivation of opium poppies continues in Iran, but the extent of cultivation is difficult to ascertain conclusively. The 1993 United States Government survey of opium cultivation in Iran estimated that 3,500 hectares were under cultivation. U.S. crop estimates were a major factor in placing Iran on the majors' list of drug producing and transit countries. Iran claims complete eradication of the opium poppy crop. Recent statements by the Dublin Group that opium cultivation has markedly decreased give at least partial credence to the Iranian claims, but a new crop survey would help—and will be undertaken—to confirm such eradication.

Iran has taken some steps to confront corruption among customs, police and military personnel. Observers have noted several convictions of corrupt officials but the corruption of low-level officials continues; multi-ton shipments of opiates could not traverse Iran without assistance from complicit law enforcement or military personnel. There have been no recent, credible reports concerning high-level complicity in narcotics trafficking and high-ranking officials of the GOI have clearly stated Iran's official aversion to narcotics trafficking.

Iran has ratified the 1988 UN Drug Convention, but the United States Government and other observers remain unaware of implementing legislation to bring Iran into full compliance with the Convention. A 1997 proposal approved by the Expediency Council appears to allow for stronger drug laws and demand reduction programs, but the extent to which the proposal helps Iran to comply with the Convention cannot be predicted before the proposal is enacted as unforceable laws or regulations. No bilateral narcotics agreement exists between Iran and the United States.

Iran has recently stated, at the highest level, a desire to cooperate in international counternarcotics programs. With the exception of the Iran/Pakistan/UNDCP border interdiction program and a UNDCP demand reduction survey, however, Iran does not yet participate in important cooperative counternarcotics efforts. Such programs of international cooperation would add significantly to external understanding of Iran's narcotics problems and counter-narcotics efforts.

Nigeria

Nigeria is the hub of African narcotics trafficking and the headquarters for global poly-crime organizations. Nigerian narcotics traffickers operate worldwide networks that transport heroin from Asia to Africa, the NIS and the United States, and cocaine from South America to Europe, Africa and East Asia. Nigerian traffickers are responsible for a significant portion of the heroin that is abused in the United States. Marijuana is the only narcotic cultivated in Nigeria; large quantities are exported to other African nations and to Europe, but have little impact upon the United States.

The need to repatriate their criminal gains has motivated Nigerian traffickers to develop a sophisticated and flexible money laundering system capable of handling not only narcotics profits, but the ill-gotten gains of Nigerian sponsored financial fraud as well. The dislocations of Nigeria's economy have helped to engender a vast informal commercial sector, immune to most regulation and well suited to illegal activities.

The record of Nigerian law enforcement against the narcotics trade is, at best, mixed. The one force capable of making headway against narcotics, the Nigerian Drug Law Enforcement Agency (NDLEA), has been handicapped by deficiencies in political and financial support. The NDLEA arrests many couriers, but few organization leaders. NDLEA efforts at Nigeria's international airports have led to increased seizures of narcotics, and may be a factor contributing to traffickers's expansion into bulk shipments and across borders into Nigeria's neighbors.

The Government of Nigeria has failed to react responsibly to the ease with which criminals function in Nigeria. Appropriate criminal narcotics

and money-laundering legislation has been enacted, but remains unenforced, with no evidence that prosecutions, convictions or asset seizures have been made against any major criminal figures. Nigeria failed to provide consistent policy advice to its law enforcement organs, lacked the political will to attack pervasive corruption, and again neglected to provide sufficient material support for even the most basic operations of its law enforcement agencies.

Nigeria again failed to meet its obligations to the United States and other nations with regard to extraditions and other forms of counter-narcotics cooperation. Even direct promises of action have remained unredeemed. A December, 1996, United States mission to Nigeria received the Government of Nigeria's assurance that extraditions of criminals to the United States could resume immediately. No action has been taken on extraditions over one year later.

[FR Doc. 98-6584

Filed 3-13-98; 8:45 am]

Billing code 4710-10-M