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U.S. DEPARTMENT OF STATE**

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**HOUSE COMMITTEE ON GOVERNMENT REFORM
HEARING ON
"DISRUPTING THE MARKET: STRATEGY, IMPLEMENTATION AND RESULTS IN
NARCOTICS SOURCE COUNTRIES"**

Mr. Chairman and Members of the Committee, thank you for this opportunity to meet with you today to discuss how the Bureau for International Narcotics and Law Enforcement (INL) at the Department of State is contributing to efforts to disrupt the market in key narcotics source countries.

The INL Bureau directly supports the National Drug Control Strategy and its orchestration of United States Government efforts to reduce the availability of illicit drugs in our country. Specifically, we actively support supply reduction programs through direct assistance programs, as well as multilateral and diplomatic efforts conducted in cooperation with other departments and agencies of our government. Prominent among our programs are those that support the national strategy of reducing the production and trafficking of drugs in the principal source countries.

The major foreign-produced illicit drugs significantly affecting the United States are cocaine, heroin, marijuana, and synthetics such as methamphetamine or Ecstasy. The source areas for these threats include the Western Hemisphere—principally the Andean Ridge (cocaine, heroin), Asia (heroin), Europe (synthetics), and Mexico (heroin, methamphetamine/synthetics and marijuana). Following is a summary discussion of INL-managed and/or supported programs around the world in support of the National Drug Control Strategy to reduce the supply of illicit drugs from key source areas.

Our programs are comprehensive both in geographic reach and in scope of attack. They are critical to the success of the U.S. and international effort to demonstrate that illegal drug production can be controlled and reduced given sufficient political will and well-designed, fully funded programs. INL protects Americans by fighting the illegal drug trade through a variety of means: direct eradication of illicit crops, support for alternative livelihoods of poor cultivators, training and equipping of anti-drug police forces in partner countries, counternarcotics intelligence coordination and interdiction, justice sector reform, support for demand reduction and education in host countries, and strengthening of international and multilateral cooperation in law enforcement. These programs are expensive, but demonstrably effective.

Mr. Chairman and Members of the Committee, we need your support to ensure full funding of these essential activities. I look forward to answering your questions.

WESTERN HEMISPHERE

The Administration has requested \$731 million for the Andean Counterdrug Initiative for FY 2004. Full funding of this request is critical to sustaining our success in Colombia and to protecting Colombia's neighbors from a spillover effect. Our efforts in Colombia are making a difference, and we should not let up now.

Colombia

Market disruption in Colombia involves an aggressive combination of eradication, interdiction, institution building, and alternative development programs. Last year (2002) was a banner year for counternarcotics efforts in Colombia, the source of more than 90 percent of the cocaine and most of the heroin entering the United States. For the first time since drug cultivation began increasing in the mid-1990s, overall coca cultivation declined – and by over 15 percent. Opium poppy cultivation also declined by 25 percent from 2001 levels. Cultivation in the key coca growing provinces of Putumayo and Caqueta declined by more than 50 percent. Consequently, potential production of Colombian cocaine dropped to 680 metric tons of cocaine, down from 795 metric tons in 2001, and potential production of Colombian heroin dropped to 11.3 metric tons, down from 15.1 metric tons in 2001.

These declines are the direct result of the robust U.S.-assisted aerial eradication program, which sprayed over 122,000 hectares of coca in 2002, a 45 percent increase over 2001, itself a record year. In addition, the spray program destroyed more than 3,000 hectares of opium poppy, a 67 percent increase over 2001. With this year's delivery of the final spray airplanes procured with funds appropriated in support of Plan Colombia, Colombia plans to accelerate the pace of aerial eradication of both coca and opium poppy in 2003 and beyond. During the first six months of this year, we sprayed 73,522 hectares of coca and 1,658 hectares of opium poppy, compared to the first six months of last year that yielded 53,717 hectares of coca and 1,837 hectares of opium poppy. We plan to spray all coca and opium poppy in Colombia by the end of the year.

On the interdiction side in 2002, Colombian military and police counterdrug forces destroyed 129 cocaine-processing labs and nearly 1,247 cocaine base labs while seizing more than 55 metric tons of cocaine and 30 metric tons of coca base.

However, Colombia faces several significant challenges to its counternarcotics efforts. In Colombia, the drug trade has a clear advantage since the bulk of coca and opium poppy grows in zones that fall beyond the firm security control of the central government. As eradication squeezes the industry, ground fire from narco-terrorist groups has increased: aircraft have taken 225 rounds of ground fire during eradication operations this year to date. This figure is already more than the total number of hits in 2001 and 2002. Some Colombian extremist groups have become increasingly dependent on drug-related revenues. Accordingly, we expect that these groups will increasingly use their firepower and ingenuity to protect and expand their drug interests in Colombia. The increased frequency of damage inflicted on aircraft by ground fire has resulted in 350 days when it has been necessary to ground the spray aircraft for repairs during the period January – May 2003, as compared to 48 days for the same period in 2002.

Conducting spray operations is dangerous work. All of the pilots in the spray program have extensive flying experience and receive specialized training for the type of flying and local conditions that they will face. We also provide advance survival training for our pilots in the case of a forced landing. Each spray mission is planned for maximum security, using all available intelligence. If a spray mission should face major risk, it is cancelled or conducted with pre-positioned counter-drug ground troops. There are armed security escort helicopters as well as at least one search and rescue (SAR) helicopter. We are constantly evaluating our operations to refine our procedures and improve security for our personnel.

Our counternarcotics program also faces a major challenge as our air assets and the Colombian counterdrug units we support are increasingly called on to pursue a more active role to assist the Colombian government in its unified campaign against narcotics trafficking and activities by organizations designated as terrorist organizations and to take actions to protect human health and welfare in emergency circumstances, including undertaking rescue operations.

President Uribe's tough stance on drug trafficking and narco-terrorists has ushered in a new political climate and an increase in counternarcotics and counterterrorism operations around the country. He has boosted security spending and fully supports an aggressive eradication effort. We continue to coordinate with the Colombian government to see how best to use the new authorities enacted in the 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Acts against the United States (P.L. 107-206) and in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2003 (P.L. 108-7) in support of President Uribe's national security strategy. While U.S. policy now recognizes the flexibility introduced by the expanded authorities, counternarcotics, alternative development, and judicial reform, as well as humanitarian assistance and social and economic development, remain key components of our support to Colombia's democracy and the Colombian government's programs to exercise authority throughout its national territory.

Since USAID began implementing alternative development programs in late 2000, its activities have benefited more than 22,829 families and supported more than 24,549 hectares of licit crops in both coca and opium poppy-producing areas through March 31, 2003. The U.S.-funded alternative development program has also completed more than 349 public infrastructure and income-generating projects in 11 municipalities in key coca-producing provinces, including construction of roads, bridges and sewer systems and rehabilitation of schools. Other USAID projects have improved local governments.

To date, USAID has established a total of 33 legal service centers (Casas de Justicia), which have increased access to justice and promoted peaceful conflict resolution by handling a cumulative total of roughly 1.6 million cases. The establishment of these centers helps the Colombian government expand the presence of state institutions and services to remote and conflict-ridden areas of Colombia. As a first step in facilitating Colombia's transition to a modern accusatorial system of justice, USAID has helped to establish a cumulative total of 19 oral trial courtrooms and trained roughly 3,400 judges in oral trials, legal evidence, and procedures.

As of May 31, 2003, USAID programs had aided 774,601 internally displaced persons and 733 former child combatants with health care services, education, vocational and skill development training, and assistance to those families that are willing and able to safely return to their original communities.

The Department of Justice is developing specialized units to combat money laundering and pursue asset forfeiture initiatives. The International Criminal Investigative Training Assistance Program (ICITAP) is nearing completion of a virtual forensic laboratory that will link through shared databases the four Colombian law enforcement agencies that have primary investigative responsibility for criminal activity, including drug trafficking and human rights abuses. The program includes installation and sharing of Automated Fingerprint Identification System (AFIS), Integrated Ballistic Identification System (IBIS), Combined DNA Index System (CODIS), and digital imaging databases. The Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) is also providing assistance in legal code reform and prosecutor training under an accusatorial system.

Our FY 2004 budget request of \$463 million for Colombia includes \$313 million for “hard side” programs of interdiction and eradication and \$150 million for “soft side” alternative development and institution building programs. The interdiction and eradication budget is split up between \$158.7 million in support for the Colombian military and \$147.5 million for Colombian National Police Programs. Support for the Colombian military is divided into \$147.3 million in Army aviation support, \$6.4 million to support the air bridge denial aerial interdiction program, and \$5 million to sustain the Colombian Army’s Counter Drug Brigade.

The INL FY 2004 request increases funding for Colombian Army aviation support by \$19 million. The 71 helicopters supported with this funding provide air mobility for the counter-drug brigade and other vetted units and, given the severely limited number of helicopters otherwise available, will continue to be the only reliable airlift available for military units engaged in counternarcotics operations. As the counterdrug brigade has already expanded operations beyond southern Colombia in 2003, these aircraft will also be used to conduct missions throughout Colombia, responding to opportunities to interdict high value narco-terrorist targets.

The FY 2004 INL request for support to the Colombian National Police (CNP) includes \$60.3 million in aviation support, \$44.2 million to continue successes in aerial eradication, and \$41 million for interdiction programs, and \$2 million in administrative support for the CNP. This request reflects a \$19 million increase to boost CNP interdiction operations and other counternarcotics programs under CNP command by improving forward counter-narcotics operating base capabilities, enhancing road interdiction operations, assisting the auxiliary police, and helping the CNP/DEA Heroin Strategy Program.

INL’s FY 2004 “soft side” request for Colombia will sustain at FY 2003 levels the USAID-administered programs to support democracy (\$24 million), to encourage alternative development (\$60.2 million), and to assist vulnerable groups (\$38 million). This request also increases by \$1.5 million support for PRM-administered programs to provide protection, food, potable water, basic health services and sanitation, education, and other humanitarian assistance to Colombian’s internally displaced people.

The INL request also will provide \$7.5 million for selected Department of Justice programs to support training and protection of the Fiscalía's human rights units, continue reform of Colombia's legal code, train human rights prosecutors, set up an asset forfeiture and money laundering database, and improve prison security and drug rehabilitation programs. Also included under rule of law programs is \$13.8 million (a \$3 million increase) for the CNP reinsertion program to increase government presence and law and order to areas of conflict. This program -- largely funded by the Government of Colombia -- has placed well-trained and equipped police units into 77 municipalities that lacked security presence thus far this year.

Bolivia and Peru

To prevent traffickers from further developing alternative drug production sources elsewhere, we are actively reinforcing our counternarcotics programs in the countries surrounding Colombia. In Bolivia and Peru, our efforts to support stronger government counternarcotics actions have been slowed by radical cocalero movements that have seized upon the historical tradition of coca cultivation as a rallying cry for indigenous rights against the dominant urban political culture. Economic difficulties in both countries have also weakened government resources to enhance counternarcotics efforts.

As a result, despite eradicating 12,000 hectares in 2002, Bolivia had a 23 percent (4,500 hectares) net increase in coca cultivation due to massive replanting in the Chapare and the government's reluctance to conduct forced eradication in the coca-rich Yungas province in the face of violent cocalero opposition. In response, we have supported Bolivian government efforts to strengthen its eradication and interdiction efforts by expanding the Special Drug Police (FELCN) by 15 percent, constructing 14 new bases, establishing a national communications grid, and creating several data banks and information-sharing systems to enhance law enforcement intelligence.

FY 2004 funding will strengthen these programs, which are focused on developing the Government of Bolivia's capacity to enforce all drug laws, maintain the rule of law in outlying areas and continue national and regional interdiction activities. In addition to supporting these law enforcement programs, our funds support Bolivian efforts to consolidate and sustain regional alternative development programs (bringing direct improvement to farmers and communities), with special emphases on developing viable and sustainable domestic and international markets for crops other than coca.

USAID has assisted over 21,500 families. The annual value per family of licit agricultural products for assisted families now averages \$2,055, up from \$1,706 in 2000. For comparison, the average annual per capita income for Bolivia in 2000 was \$994. Over 51,000 farming jobs and 600 non-farming jobs have been created through USAID's alternative development program. Some 8,500 families have received electricity in their homes. Over 3,000 kilometers of road and 110 bridges have been paved or improved.

In the socially volatile Yungas, following careful preparation and work with the local populace, U.S.-funded alternative development programs are being implemented among cocalero communities that are willing to decrease coca (legal and illegal) cultivation. USAID's Yungas

Development Initiative is focused on improving the quality of life of the people of the Yungas by promoting health, developing the licit economy, improving basic infrastructure and strengthening local government. Seventeen sanitation services have been completed benefiting over 8,000 people and 10 projects providing access to potable water will benefit over 3,000 people. In addition, municipalities are receiving assistance in budgeting, responding to citizen needs, and regional economic planning.

Also, our judicial support programs continue to help Bolivia's transition to an oral accusatory system while increasing the capabilities and capacities of those offices that deal with drug-related investigations and prosecutions.

The FY 2004 Bolivia funding request for \$91 million is broken down into three major efforts: \$33.7 million is focused on supporting USG efforts to develop the Government of Bolivia's long term ability to sustain law enforcement and judicial institutions capable of enforcing all drug laws, increasing interdiction of essential chemicals and cocaine products, and increasing successful prosecutions of major narcotics traffickers at a time of significant political and economic weakness in the Bolivian state. Integral to this effort is our support for substantial air, river and ground forces in major coca cultivation areas that provide for rule of law, security for alternative development and support for eradication efforts. An additional \$10 million is focused on coca eradication and its supporting security and logistical infrastructure.

In addition to these law enforcement programs, \$38.5 million will support Bolivian efforts to consolidate and sustain regional alternative development programs (bringing direct improvement to farmers and communities), with special emphases on developing viable and sustainable domestic and international markets for crops other than coca. In the socially volatile Yungas, following careful preparation and work with the local populace, U.S.-funded alternative development programs will decrease legal and illegal coca cultivation among cocalero communities. The balance of the funding request is for smaller supporting programs such as demand reduction, policy planning, administration of justice projects and administrative support.

In Peru, labor unrest on a national scale slowed the Peruvian government's efforts to expand coca crop eradication, leading to increased resistance and violence against government development projects by organized cocaleros in the first six months of 2003. In response, the Peruvian government has reorganized its approach to provide stronger alternative development incentives for voluntary eradication by coca growing communities, while simultaneously reinforcing national law enforcement interdiction efforts. The participatory eradication model was conceived as a means to establish a commitment on the part of an entire community to eliminate illegal coca plots. Communities that do not participate face forced eradication. Participants receive daily wages for work eradicating coca, as well as food rations. Communities that remain coca free for two to three years will receive infrastructure improvements. Over 200 communities have asked to participate in the eradication program with more asking to join every day. The pilot phase of the program was very successful. More than 1,000 hectares of coca were eradicated, helping Peru to achieve its 2002 goal of 7,000 hectares eradicated for the year.

Seizures of drugs and chemicals by Peruvian law enforcement units have increased, but coca eradication currently remains below the 7,000 hectares eradicated in 2002. We believe that eradication rates will improve in the second half of the year.

USG efforts to support an enhanced Peruvian law enforcement interdiction and security presence in coca-growing areas will require substantial FY 2004 funding to establish and sustain forward operating locations, as well as additional operating funds for the necessary fixed wing and helicopter airlift assets that provide regional mobility to Peruvian interdiction forces directed at trafficker production sites and other units charged with maintaining the rule of law in alternative development areas.

Despite these increases, cultivation in both Bolivia and Peru remain significantly below the peak years of the mid-1990s and far below the levels in Colombia. Even with these increases, the total Andean coca crop declined by about 8 percent in 2002.

The FY 2004 Peru funding request for \$116 million has an intense focus on reducing coca by at least 8,000 hectares through an integrated voluntary/involuntary eradication and development assistance program with specific coca communities. Supporting this goal in FY-04 requires \$35 million in additional helicopter and fixed wing aerial support for Peruvian counternarcotics police units that provide security for eradication, interdiction and alternative development projects in outlying areas. The Administration has requested \$13 million to support the Peruvian police in sustaining a counternarcotics presence on outlying coca-growing areas, as well as monitoring roads and rivers used by trafficking interests.

The Administration has requested \$11.3 million to support programs aimed at involuntary eradication and licit/illicit crop monitoring, as well as seeking out opium poppy for immediate manual forced eradication. Approximately \$8 million will be required to construct a safe and effective Airbridge Denial Program, although this remains subject to negotiation with the Peruvian Government. The critical alternative development program, \$50 million in FY-04, will increase the number of communities committed to coca reduction, currently 200 communities, and provide near-term alternative development emergency assistance to help meet nutritional and health needs, generate family income lost to eradication of coca fields, and long-term alternative development to sustain rural licit economies.

Airbridge Denial Program

On April 28 of this year, we signed a bilateral agreement with the Government of Colombia for an Airbridge Denial (ABD) Program. The agreement creates a legal framework that would help ensure that all USG legal and procedural safety requirements are fully satisfied (to preclude situations like the tragic shutdown of missionaries in Peru in 2001), and to protect USG employees and contractors involved in ABD from undue legal liability. Preparations for final Presidential approval for a re-initiation of the Colombian ABD program are nearly complete, after which the Colombian government will be able to take important steps to retake control of its airspace from aerial trafficking. It is important to note that an effective Colombian ABD program will require a substantial Colombian and U.S. commitment of funding and resources to secure suspected aerial trafficking routes. The Colombian government has already committed

substantial resources to ABD and we plan to support Colombian efforts with FY 2004 funds to establish forward operating locations for tracker and intercept aircraft involved in the effort.

Plans to provide some form of airspace control against trafficking aircraft are currently under discussion with the Government of Peru. It is our expectation that implementation of a viable airspace control program in Peru would require greater USG funding than in Colombia, due to a lack of necessary Peruvian government resources and a shortfall in national communications and radar system architecture – both prerequisites for a Colombia-style program.

Mexico

Mexico is the principal transit zone for most illicit drugs from South America destined for the U.S. as well as a source country for heroin, methamphetamine, and marijuana. Mexico-based drug trafficking organizations operate an extensive distribution network across the U.S., posing a significant domestic criminal threat. Under the Fox administration, cooperation between the United States and Mexico in fighting drug trafficking and other transnational crime has significantly improved.

During 2002, the Government of Mexico extradited 25 fugitives to the United States, up from 17 in 2001, but the extradition relationship remains a difficult one due to Mexico's inability to extradite fugitives who face life imprisonment in the requesting country. Mexican law enforcement agencies and military personnel continued their successful targeting of major drug trafficking organizations and their leaders, including the arrest of 36 major fugitives wanted on drug charges in the U.S. Opium poppy cultivation, which is widely dispersed in small plots in isolated areas, dropped in 2002. At the same time, Mexico conducted an intensive, primarily manual, eradication program. Potential heroin production was reduced from 8.4 metric tons in 2001 to 5.6 metric tons in 2002.

To raise the profile and urgency of counternarcotics, the Fox administration unveiled an ambitious six-year National Drug Control Plan in 2002 that called on Mexican society and institutions to wage a frontal assault against all aspects of the drug problem, including production, trafficking, and consumption. Following September 11, the United States and Mexico significantly stepped up cooperation on border security to ensure tighter screening of both people and goods.

The Fox administration has taken steps to curb corruption in Mexico's institutions. The arrests of two Mexican generals in 2002 and the disbanding of a Mexican Army battalion in Sinaloa due to corruption reflect the willingness of the Fox government to attack corruption. In order to prevent corruption, the Mexican anti-drug police force (FEADS) has been disbanded and the new federal investigation agency (AFI), a more modern police force, has been structured with anti-corruption and the protection of information as chief priorities.

In 2002, Presidents Bush and Fox signed the U.S.-Mexico Border Partnership to improve controls along our shared border. The 22 action items focus on developing infrastructure, the movement of people, and the movement of goods. Using \$25 million in emergency supplemental funding appropriated by Congress, INL has been working with U.S. partner

agencies to provide Mexican customs and immigration agencies with inspection equipment, safety training, computers and software for port of entry management and advanced passenger information exchange, and other enhancements. The goal is to expedite the movement of legitimate flows of goods and people while increasing the ability of law enforcement to detect criminal activity.

In FY 2004, INL proposes to merge the counternarcotics and border programs through a combined request for \$37 million. Of this, approximately \$17.5 million would be used to build on the foundation supported by Emergency Supplemental funding; \$2.5 million would complement that effort through assistance to enhance maritime port security. In addition, \$10.9 million would be used to support counter-drug and counter-crime operations and \$3.4 million would be used to expand our important work with Mexico in criminal justice sector reform, training and professionalization. We also plan to continue modest ongoing programs relating to drug abuse prevention, crime prevention, and alternative development.

ASIA

Afghanistan

Poppy cultivation in Afghanistan, which had been banned in 2000 under the draconian rule of the Taliban, resumed following September 11 in an environment that saw a devastated economy and an absence of law and security throughout the country. Afghanistan resumed its position as the world's largest producer of heroin in 2002 and preliminary results for 2003, despite our own efforts and the significant contributions of the UK as the lead country on Afghan counternarcotics, show only modest gains thus far. Without an organized security force or rule of law, the drug trade and the revenues and criminal groups generated by it will undermine the stability of both Afghanistan and the region.

Following the fall of the Taliban, the U.S. and other members of the international community laid the groundwork for rebuilding Afghanistan's almost completely destroyed security and criminal justice systems. Under pressure from the U.S. and others, the new Afghan government announced a ban on the cultivation of opium poppy; set up a Counternarcotics Directorate (CND) under the National Security Council (where it will have the necessary authority, visibility, and access); supported UK eradication programs (which reduced the spring 2002 crop by an estimated 30 percent) and U.S. alternative development programs; and began directly to press provincial governors to support eradication.

Given the absence of central governmental authority in the provinces, and a general breakdown of rule of law, opium brokers have been free to provide poppy seed, fertilizer, credit, and cash bonuses to encourage farmers to cultivate opium. Expanded agricultural support services for legitimate crops will be necessary, and we are pleased that USDA and USAID have plans to work to provide those services. Credit at reasonable cost will also be required. The critical requirement, however, is the restoration of security and the rule of law. Without an organized security force or the rule of law, the drug trade and crime will undermine efforts to create stable recovery in Afghanistan.

INL is working closely with other countries leading the reestablishment of Afghan public security capabilities, including the UK, which has the lead on counternarcotics issues; Germany, which is providing training and equipment to the national police; and Italy, which is developing and modernizing the judicial system. President Karzai ratified a National Drug Control Strategy in May, and we, the UK, and the UN Office on Drugs and Crime are leading the effort to support that strategy in a way that it can be implemented efficiently and effectively.

Our FY 2004 budget request of \$40 million for Afghanistan would be divided in three areas: counternarcotics, police training, and justice sector reform. The bulk of the 2004 budget (\$26.5 million) focuses on building law enforcement and rule of law programs that are essential components for carrying out successful counternarcotics programs and building counternarcotics law enforcement capacity. We will contribute smaller portions (\$12.8 million) to alternative development, demand reduction, and drug awareness programs.

It should also be added that apart from our work within Afghanistan, and our large programs in Pakistan, which I will discuss next, INL is also working in the five countries of Central Asia, in close cooperation with the United Nations, to upgrade their capacities for intelligence, investigation, interdiction, and prosecution of drug-related illicit activities. These countries themselves cultivate poppy only on a minor scale, but they lie between Afghanistan and the major markets of Western Europe and the sizeable and still-growing markets of Russia and other intermediate transit countries. The Central Asian countries are susceptible to drug trafficking as a result of their porous borders and weak counternarcotics programs.

Pakistan

September 11 shifted the focus of INL assistance to Pakistan from drug control and related programs to law enforcement, including security of the critical border with Afghanistan. The border security program being implemented by the Department of Justice is designed to build on and expand initiatives undertaken with funding provided under the 2001 and 2002 supplemental appropriations acts to strengthen the capacity of law enforcement agencies in Pakistan to secure the western border against criminal elements (including terrorists) and narcotics traffickers. As President Musharraf noted at Camp David last month, the Pakistani Government has been able to enter its western border areas for the first time in a century. INL's effort to help Pakistan strengthen the security of its borders is paying off.

On the narcotics side, Pakistan, which was once the world's third largest producer of opium poppy, reached record low production levels in 2000-2001. While cultivation levels increased somewhat during the 2002-2003 growing season due to a number of factors including very high prices and a spillover effect from Afghanistan, the Government of Pakistan continues to make a determined effort to reduce cultivation. The U.S. government is aiding these efforts through a number of programs, including crop control/alternative development support and a road-building initiative in the Federally Administered Tribal Areas (FATA), which will allow the Government of Pakistan to bring an active law enforcement presence to these isolated areas.

INL's FY 2004 request of 38 million for Pakistan includes two major components that build upon efforts undertaken in previous years, particularly since September 11. The Administration

has requested \$10.8 million for assistance to Pakistan's civilian law enforcement agencies. The proposed assistance will address two primary objectives: providing operational assistance to support immediate term needs and supporting Government of Pakistan-led reform of law enforcement institutions. This assistance, spearheaded by the Department of Justice, while perhaps not producing immediate results, will provide for a higher quality and consistency in law enforcement and sustainable respect for human rights. The Administration has requested \$26 million for border security, which will build upon the successful implementation of commodity support, training, and technical assistance that was begun with FY 2002 Emergency Relief Funds (ERF) supplemental funds.

Funds will be used to provide ongoing maintenance, support, and operating expenses of the Ministry of Interior Air Wing, which includes three fixed-wing surveillance aircraft and five helicopters based at Quetta in Balochistan province. Our assistance will also extend air mobility for rapid response and law enforcement presence into the North West Frontier Province through the establishment of a new forward operating location in Peshawar with five helicopters. These ambitious projects will require full funding in order to ensure that they have the maximum possible positive effect.

Burma

Burma remains the world's second largest producer of illicit opium and among the world's leading producers and traffickers of methamphetamine, which constitute a major threat to the security and social fabric of Thailand and other countries in the region. Drug trafficking groups operate within Burma along its borders with China and Thailand, and the Government of Burma has yet to curb involvement in illicit narcotics by the largest, most powerful and most important trafficking organization within its borders, the United Wa State Army. Over the past several years, the Government of Burma has significantly reduced opium production within its borders. The Burmese government entered into a non-aggression pact with the United Wa State Army, which controls a large territory within Burma, and under the terms of the pact, the Wa agreed to end opium production after the 2005 growing season. Burma has also cooperated with regional and international counternarcotics agencies, resulting in several cases against traffickers and their organizations and several agreements on controlling precursor chemicals. But more much remains to be done to address major gaps in Burma's counternarcotics efforts.

While legislation currently prohibits direct counternarcotics (or other) assistance to the Burmese regime, we support a UN alternative development program in the major opium-producing region in Burma, and we support broader regional efforts through the UN and others to coordinate counternarcotics efforts. We have been one of the major donors to the UNODC's Wa Alternative Development Project, and have successfully encouraged other donors to support this effort as well. We will continue to support worthy UNODC alternative development projects that do not directly benefit the Government of Burma, and will continue to urge the Government of Burma to take serious, verifiable action on counternarcotics issues.

North Korea

We are increasingly convinced that state agents and enterprises in the DPRK are involved in narcotics trafficking. At the same time, information remains somewhat fragmentary. While we strongly suspect that opium poppy is cultivated in North Korea, we lack exact information regarding the extent of production. Press reports and other sources suggests that North Korea cultivates between 7,000 and 8,000 hectares of opium poppy and produces 40- to- 50 tons of opium annually, enough to produce about three to five tons of heroin, but those figures can not be verified.

Although there have been a number of cases of heroin with a reported DPRK origin being seized in recent years, including on Taiwan and in Japan and the Russian Far East, and in a number of cases North Koreans (including diplomats) have been apprehended, we lack direct evidence indicating that the seized drugs were actually produced in the DPRK. Similarly, the source of approximately 125 kilograms of heroin smuggled to Australia aboard the North Korean-owned vessel “Pong Su” and seized by Australian authorities in April 2003 is unclear—its packaging suggests, but does not prove, a Southeast Asian origin.

There have been very clear indications, especially from a series of seizures in Japan, that North Koreans traffic in, and probably manufacture, methamphetamine. At least since 1995, North Korea has been importing significant quantities of ephedrine, the main ingredient for methamphetamine production, some of which could be diverted to manufacture illicit drugs. Japan is the largest single market for methamphetamine in Asia, with more than 2.2 million abusers and an estimated consumption of 20 MT of methamphetamine per year. During the past several years, Japanese authorities have seized numerous illicit shipments of methamphetamine that they believe originated in North Korea. In most of these seizures, traffickers’ and North Korean ships rendezvoused at sea in North Korean territorial waters for transfer of the narcotics to the Japanese traffickers’ vessels. Authorities on Taiwan also have seized several shipments of methamphetamine and heroin that had been transferred to the traffickers’ ships from North Korean vessels.

The sharp increase in large methamphetamine seizures in Japan after earlier indications of North Korean efforts to import ephedrine strongly suggests a state-directed effort to manufacture and traffic this narcotic to the largest single market for it in Asia. Thirty-five percent of methamphetamine seizures in Japan from 1998 to 2002 originated in North Korea, and Japanese police believe that a high percentage of the methamphetamine on Japanese streets originate in North Korea.

Likewise, seizures of drugs trafficked to Taiwan in similar fashion, (i.e., with traffickers’ vessels picking up the drugs from North Korean vessels), suggest centralized direction. In both cases, large quantities of drugs, expensive even at wholesale prices, have been transferred from North Korean state-owned ships, on occasion by men in uniform, to ships provided by Japanese or ethnic Chinese traffickers to be brought surreptitiously to Japan or Taiwan.

The U.S. government has decided recently to step up legal and law enforcement efforts against DPRK illicit activity, including narcotics trafficking, both domestically and internationally. We

are in the process of discussing a range of diplomatic, law enforcement, and intelligence-sharing initiatives with key governments in Asia and look forward to strengthening broader international efforts to stem the flow of illicit narcotics and other illegal products from North Korea.

SYNTHETIC DRUGS

Synthetic drugs, while currently a serious concern, potentially present an even greater future threat to the United States and many other nations. These drugs offer significantly higher profit margins for criminal groups, are relatively easy to produce, and do not encounter the same social stigma among user populations, e.g., youth, as do cocaine and heroin. While there are a number of synthetically produced drugs of abuse, the two principal threats to the United States are methamphetamine, an amphetamine-type stimulant (ATS) of growing global concern, and Ecstasy (MDMA/XTC), a club scene drug. Following is a summary of INL efforts against these principal synthetic drug threats to the United States.

Methamphetamine

This is currently the principal synthetic drug of concern in the United States. Abuse is most problematic in our western and central states but is increasing in the eastern half of the U.S. While much of the methamphetamine is produced domestically—predominantly in the western states—the major foreign source is Mexico. Mexican-based criminal groups are also active in methamphetamine production in the United States.

INL-directed or supported programs that engage this threat in Mexico include the following: (1) we support the attack against major drug trafficking organizations by providing technical assistance and training to Mexican law enforcement directly involved in enforcement actions against the principal criminal groups; (2) we fund—both bilaterally and through the Organization of American States’ drug secretariat CICAD—chemical control enhancements designed to reduce the availability of essential chemicals used in methamphetamine production; (3) we actively manage a post-9/11 program to enhance substantially the physical security along our southwest border—across which most of the foreign produced methamphetamine is smuggled; and (4) we are emphasizing a number of programs designed to modernize and professionalize key Mexican justice sector institutions and thereby have a positive impact on their counternarcotics capabilities and performance.

While Mexico appears to be the largest foreign source of processed methamphetamine, the U.S. government is concerned that Canada has become a significant source of the precursor chemical – pseudoephedrine. Canada is also a source of high-potency marijuana. Over the past few years, there has been an alarming increase in the amount of pseudoephedrine diverted from Canadian sources to clandestine methamphetamine laboratories in the United States. The Government of Canada implemented regulations on the sale and distribution of precursor chemicals this year. We welcome these new regulations, but remain concerned that the resulting control regime may not be strong enough, particularly on the investigative/enforcement front.

INL has worked closely with the interagency community to establish an active dialogue with Canada about these issues, beginning with formal correspondence last year of the USG’s

assessment of the proposed regulations. We used the International Narcotics Control Strategy Report to highlight the problem and to call on Canada to respond forcefully. Canadian authorities have assured us of their commitment to ensure that their new control regime effectively addresses the threat.

Methamphetamine production and trafficking is also a serious problem in Southeast Asia, causing governments from Thailand to the Philippines to identify it as a major national security concern. Although a regional problem, much of the focus centers on Burma, where it is estimated that hundreds of millions of pills are produced and trafficked to and through neighboring countries. Thailand has been particularly hard hit; Thai authorities seized over 70 million pills in 2002, prompting the Royal Thai Government to embark on a "war on drugs" in 2003. A long-time U.S. ally in the fight against drugs and a regional leader in combating illegal drugs, Thailand is a key partner in counternarcotics activities. A one-time source country for heroin, Thailand's aggressive counternarcotics strategy kept opium poppy cultivation below 1,000 hectares in 2002 for the fourth year in a row, and at the lowest level since the mid-1980s. Even so, Thailand serves as a transit zone for heroin and the sharply increasing volume of methamphetamine coming out of Burma and other states in the region.

Our FY 2004 request for \$2 million will sustain at reduced levels programs initiated previously to support institution building to improve capabilities to arrest, prosecute and convict significant traffickers, and dismantle their organizations. At U.S. urging and with our assistance, Thailand is in the process of amending virtually all of its basic narcotics laws and all substantive and procedural criminal laws, including those that pertain to money laundering and financial crime.

We are also helping Thailand modernize its criminal justice system and improve its ability to investigate and prosecute all types of crime. The recent spate of extrajudicial killings associated with Thailand's war on drugs underscores the need for such assistance. We have repeatedly expressed our concerns on this issue at the highest levels of the Royal Thai Government, stressing the need to respect the rule of law and seek accountability and justice in cases of extrajudicial killings. Our efforts continue to be critical for Thailand's ability to deter or effectively prosecute traffickers in drugs, people, and weapons, and dismantle criminal organizations whose activities adversely affect regional security and other U.S. interests.

Ecstasy

The increase in the quantity of illegal synthetic drugs entering the United States, especially Ecstasy from Europe, is of particular concern. A significant amount of the Ecstasy consumed in the United States is manufactured clandestinely in the Netherlands (in 2001, a total of 9.5 million ecstasy tablets were seized in the United States, and the DEA believes that the majority of tablets originated in the Netherlands).

We are working closely with Dutch authorities to stop the production and export of Ecstasy, which we both regard as a serious threat to our citizens. In March, we co-chaired with the Department of Justice a high-level meeting with Dutch counterparts that resulted in a concrete plan of action to enhance Dutch efforts against Ecstasy production and trafficking and U.S.-Dutch cooperation on the same. Both sides are increasing their staffing levels, sharing

information (including threat assessments) and cooperating closely to identify and disrupt criminal organizations. At the end of June, the Dutch seized more than 12 million Ecstasy pills in Rotterdam, demonstrating both the scope of the problem and the progress being made.

Mr. Chairman, the State Department's Bureau of International Narcotics and Law Enforcement Affairs very much appreciates the opportunity to discuss this important issue and these key counterdrug programs with the Committee. Further, we appreciate the Committee's continuing interest and your many personal efforts in supporting our programs. We look forward to increasingly close cooperation with the Committee and the success of our combined efforts to reduce the availability of illicit drugs produced and trafficked from the principal drug source countries.