

CONFIDENTIAL

FYI -- ALLEGATIONS AND ANSWERS

18 February 1972

ALLEGATION:

On 27 January 1972 Allen Ginsberg appeared as a guest on the Dick Cavett Show. He alleged, in sum, that the Central Intelligence Agency is tied in with the drug traffic in Southeast Asia.

The March 1972 issue of Earth magazine contains the above allegation in considerable detail. Advertising the article in Earth, The New Republic of 19 February 1972 states, "The CIA put your brother in Vietnam. CIA heroin traffic turned him on to smack." Nicholas von Hoffman appeared on CBS on 17 February, referred to the article, and stated that Congress should investigate the matter.

ANSWER:

The Director has dealt with this allegation previously. In an address to the American Society of Newspaper Editors in Washington, D.C., on 14 April 1971, he said:

"There is the arrant nonsense, for example, that the Central Intelligence Agency is somehow involved in the world drug traffic. We are not. As fathers, we are as concerned about the lives of our children and grandchildren as are all of you. As an Agency, in fact, we are heavily engaged in tracing the foreign roots of the drug traffic for the Bureau of Narcotics and Dangerous Drugs. We hope we are helping with a solution; we know we are not contributing to the problem."

Attached is that portion of the 2 June 1971 Congressional Record containing a letter to Congressman Charles Gubser from John E. Ingersoll, Director of the Bureau of Narcotics and Dangerous Drugs. The letter explains our non-involvement in drug traffic and our intelligence support to programs that are dedicated to the termination of illicit narcotics traffic.

MORI/CDF

CONFIDENTIAL

June 2, 1971

CONGRESSIONAL RECORD—Extensions of Remarks

E 5305

The objective of the new policy is to induce foreign concerns to take the Antidumping Act into account before they engage in sales to the United States.

The 25 Percent Rule

The Antidumping Act provides that in normal situations fair value shall be determined by comparing the ex factory home market price of the merchandise under investigation with the ex factory price at which the merchandise is sold in the United States. If the price in the United States is less than the home market price, then there are "sales at less than fair value" within the meaning of the statute.

The Act also states that in situations where the quantity of merchandise sold in the home market is so small in relation to the quantity sold for exportation to countries other than the United States as to form an inadequate basis for comparison, then third country price should be used as the basis for comparison.

The Antidumping Regulations provide that generally for purposes of determining what constitutes an "inadequate basis of comparison" for fair value purposes, home market sales will be considered to be inadequate if less than 25 percent of the non-U.S. sales of the merchandise are sold in the home market.

The selection of home market or third country price for fair value comparison can easily be crucial to the results of antidumping investigations, for frequently home market price tends to be higher than third country price. This is particularly true where merchandise is sold in a protected home market and, when sold in third countries, is exposed to the vagaries of world competition.

It has been Treasury's experience that cases arise where sales in the home market are adequate as a basis for fair value comparison, even though less than 25 percent of the non-U.S. sales are sold in the home market. From a technical standpoint, the existing regulations provide for this situation, since the 25 percent rule is introduced by the adverb "Generally." Examination of the precedents, however, revealed that the Treasury has not, in recent years at least, made an exception in applying the 25 percent rule.

This left the Treasury with two alternatives. It could have ignored the previous interpretations of the Antidumping Regulations which had, in effect, applied the regulations as if the word "Generally" were not there, or it could propose a change in the Antidumping Regulations to eliminate the 25 percent rule. We chose the latter course. The proposal was published in the Federal Register of April 27, and is currently open for comment by interested persons. Any comments received will be carefully considered before we take final action on this proposal.

A LOOK INTO THE FUTURE

In my judgment, we have only come to the end of the beginning of the rejuvenation process. But, I believe we have made a solid start.

Let me take a final brief moment to touch upon what I see happening in the future. We have taken steps to initiate a fresh examination of the Treasury's antidumping procedures and regulations to see what more can be done. The regulations were substantially revised in mid-1968 after a broad review, with the dual objectives of conforming the Treasury's procedures to the requirements of the International Anti-Dumping Code, and also of having the regulations implemented in clear and precise language the objectives of the Antidumping Act. With almost three additional years of experience under the regulations, as then revised, it is now appropriate to stop and take a new look to see whether additional changes may be appropriate. A Notice of Proposed Rule Making to this effect was published in the Federal Register of April 13, 1971.

Sixty days are being allowed for the submission of comments. I would assume that many persons present here today—if you are not already aware of the Treasury's invitation to submit comments—may wish to do so.

Let me emphasize that the Treasury Department continues, as always, to adhere to its policy of equitable administration of the Antidumping Act. With the increased personnel assigned to this field and modernized procedures and policies, we shall speed up antidumping investigations, thereby making administration of the law more effective—all this without sacrificing equity.

Let me also emphasize that the Treasury Department and the Administration are strongly opposed to having the Antidumping Act transformed into an instrument of protectionism. On the other hand, we are equally strongly opposed to allowing foreign firms to injure U.S. industry by unfair price discrimination. It is with the latter objective in mind that the Treasury Department introduced the changes in the administration of the Antidumping law, which I have discussed with you today. To the extent that we succeed in our objective, the Treasury's rejuvenation of the Antidumping Act will become an increasingly important influence in favor of a freer international trade policy.

In conclusion, I would like to repeat a statement made by Secretary Connally on May 17 before the Subcommittee on International Trade of the Senate Committee on Finance:

"The efforts to foster increased competitiveness in our economy must be actively pursued in the context of fair and liberal trading arrangements."

RAMPARTS MAGAZINE MISREPRESENTS ROLE OF CENTRAL INTELLIGENCE AGENCY IN FIGHTING AGAINST IMPORTATION OF DANGEROUS DRUGS

HON. CHARLES S. GUBSER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 2, 1971

Mr. GUBSER. Mr. Speaker, recently Ramparts magazine published an article which, like so many other articles which appear in new left publications, attempted to discredit established agencies of the Government, including the Central Intelligence Agency. Unfortunately, the Stanford Daily, the newspaper published by students at Stanford University, saw fit to lend credibility to this article by reprinting it.

A tearsheet from the Stanford Daily was sent to me by a constituent and I submitted it to the Bureau of Narcotics and Dangerous Drugs with a request for comment. Under date of May 27 I received a reply from Mr. John E. Ingersoll, director of the Bureau of Narcotics and Dangerous Drugs. His letter should be brought to the attention of all responsible Members of Congress and the press since it certainly contradicts the implications contained in the Ramparts magazine article. Mr. Ingersoll's response follows:

HON. CHARLES S. GUBSER
U.S. House of Representatives
Washington, D.C.

DEAR CONGRESSMAN GUBSER: This is in response to your letter of May 21, 1971, which enclosed a tearsheet from the "Standard Daily" (a publication of Stanford Univer-

sity) of the article entitled, "The New Opium War," as reprinted from "Ramparts Magazine."

Charges made in the article appear to be a part of a continuing effort to discredit agencies of the U.S. Government, such as the U.S. Military, the FBI, the CIA, and the Department of State, all of which are, in point of fact, working actively with the Bureau of Narcotics and Dangerous Drugs (BNDD) in our worldwide effort to curtail international drug traffic.

Actually, CIA has for sometime been this Bureau's strongest partner in identifying foreign sources and routes of illegal trade in narcotics. Their help has included both direct support in intelligence collection, as well as in intelligence analysis and production. Liaison between our two agencies is close and constant in matters of mutual interest. Much of the progress we are now making in identifying overseas narcotics traffic can, in fact, be attributed to CIA cooperation.

In Burma, Laos, and Thailand, opium is produced by tribal peoples, some of whom lead a marginal existence beyond the political reach of their national governments. Since the 1950's, this Southeast Asian area has become a massive producer of illicit opium and is the source of 500 to 700 metric tons annually, which is about half of the world's illegal supply. Up to now, however, less than ten percent of the heroin entering the United States comes from Far Eastern production.

The dimensions of the drug problem and the absence of any strong political base for control purposes has been a dilemma for United Nations opium control bodies operating in Southeast Asia for many years. Drug traffic, use, and addiction appears to have become accepted as a fact of life in this area and, on the whole, public attitudes are not conducive to change.

The U.S. Government has been concerned that Southeast Asia could become the major source of illicit narcotics for U.S. addicts after the Turkish production is brought under control. The Bureau of Narcotics and Dangerous Drugs, with the help of CIA, DOD, and the Department of State, has been working to define and characterize the problem so that suitable programs to suppress the illicit traffic and eliminate illegal opium production, such as the proposed United Nations pilot project in Thailand, can be implemented.

It is probable that opium production in Southeast Asia will be brought under effective control only with further political development in these countries. Nevertheless, in consideration of U.S. Military personnel in the area, as well as the possibility that opium from this area may become a source for domestic consumption, concerned U.S. Agencies, including CIA, Bureau of Customs, DoD, and State, are cooperating with BNDD to work out programs to meet the immediate problem as well as provide longer term solutions.

Since the subject matter of your letter concerns CIA, I have taken the liberty of furnishing a copy along with my reply to Director Richard Helms.

Sincerely,

JOHN E. INGERSOLL,
Director.

As an enclosure to his letter, Mr. Ingersoll included a paper entitled "Recent Trends in the Illicit Narcotics Market in Southeast Asia." This should also be of interest to every person who is concerned about this problem and I therefore include the text herewith:

RECENT TRENDS IN THE ILLICIT NARCOTICS MARKET IN SOUTHEAST ASIA

1. The reported increasing incidence of heroin addiction among U.S. servicemen in Vietnam and recent intelligence indicating that heroin traffic between Southeast Asia