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**International Issues
Review** 

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February 1984

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International Issues Review



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This publication is produced by the Office of Global Issues. Some issues contain articles drafted in other offices. Some articles are preliminary or speculative in nature, but the contents are formally coordinated as appropriate with other offices within CIA. Occasionally an article represents the views of a single analyst; these items are clearly designated as noncoordinated views. 

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Narcotics

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With the Media in Colombia,
Bolivia, and Peru** [Redacted]

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[Redacted]

Drug traffickers in Colombia, Bolivia, and Peru have developed a variety of strategies for influencing media portrayal of their activities. In Colombia and Bolivia they have undertaken extensive, highly visible efforts, while in Peru they have been more secretive and willing to use violence. [Redacted]

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**International
Organizations**

**The North-South Dialogue:
Prospects for 1984** [Redacted]

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[Redacted]

In 1984 we expect the countries of the Third World to maintain their demand for a New International Economic Order (NIEO). The European Community and Japan will urge the United States to make minor concessions, while the Soviet Union will claim that the NIEO should be negotiated only between the capitalist countries and the Third World. [Redacted]

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Arms Transfers**Export Prospects for
West European Naval Industries**

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Summary

Prospects for West European naval equipment manufacturers over the next 10 years are excellent although West European shipbuilders face a starkly different future. Manufacturers of propulsion, weapons, and electronic systems see a strong demand for upgrades of older ships and for components for warships constructed in Third World countries. On the other hand, shipbuilders, long plagued by a worldwide surplus of commercial bottoms, now face a saturated warship market, competition from Third World dockyards, and growing doubts about the viability of large surface combatants.

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Naval Equipment Manufacturers

Equipment manufacturers see a strong demand for their expensive products, according to open sources. Engines, armaments, and electronic systems typically comprise 70 percent of the value of a frigate and even a higher percentage of small missile combatants. Unlike hulls, they are often replaced two, three, or more times during the life of a warship. Rapidly evolving technologies for all of these systems virtually guarantee a high volume of turnover in the foreseeable future.

been sold abroad. Most navies do not need the speed provided by gas turbines, which require more space and consume more fuel than diesels.

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Engines

West European propulsion systems make up a disproportionate share of the international market. At least 300 warships in current inventories—over half of the Western market and roughly a third of the world export market—use diesel engines manufactured by Motor Turbine Union (MTU) of West Germany. Other West European diesel manufacturers include SEMT-Pielstick (France), Grande Motori Trieste (Italy), and Rolls Royce (United Kingdom). Rolls Royce is also the only West European firm to design and manufacture gas turbine engines, but only a few have

An even more promising area for West European firms, according to trade journals, is in the development of new propulsion systems, which will give conventional submarines higher speeds and greater underwater endurance. Conventional submarines are limited, in comparison to nuclear submarines, by their less powerful diesel engines, which require the submarine to periodically snorkel for air. MTU has just marketed a supercharged diesel that will reduce some of these limitations. MTU and Fiat are also investigating closed gas turbines and closed cycle diesels, which may eliminate the need to surface for air altogether. Similarly, Sweden has chosen an “anaero-bic” engine designed by Stirling for its proposed A-17 class of submarines.

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Table 1
Antiship Missiles

Country	Missile	Approximate Number of Launchers on Ships	Year First Deployed	Range (km)
France	Exocet 38/40	750	1974	42/60
United States	Harpoon	700	1977	+90
USSR	SSN-2	600	1960	40
France-Italy	Otomat	270	1973	60 to 180
Israel	Gabriel I/II	180	1960s	21/41

Armaments

Western Europe leads the United States and the USSR in the export of ship-to-ship missile systems and probably will continue to do so. Aerospatiale's Exocet has enjoyed the most success having been introduced into the inventory of 25 nations (table 1). Longer range Otomat missiles produced by Oto Melera and Matra (France) have also found a niche in the market. For example, several Third World nations—Egypt, Libya, Iraq, Saudi Arabia, and Nigeria—have chosen the Otomat for their new blue water navies. More advanced missiles are planned. [redacted]

Argentina's successful use of Exocet missiles in the Falklands war has increased interest in naval self-defense systems, particularly anti-aircraft systems. [redacted] Partially in response to this demand, West European firms have marketed four new naval radar-guided "close-in-weapons systems" (CIWS) (table 2). They boast a caliber heavier than the 20-mm US Phalanx system and advertise that they are more effective against antiship cruise missiles that have armored warheads. No sales have yet been recorded, but we believe such weapons will become standard armament on most major surface combatants. [redacted]

West European firms also manufacture a variety of larger caliber naval guns that are the standard armament for most naval combatants. Italy's Oto Melera has had the most success selling over 400 76-mm guns to 34 nations (table 3). Other gun manufacturers—Bofors (Sweden), Vickers (United Kingdom), and Creusot-Loire (France)—have been less successful in marketing both larger and smaller caliber guns. The continuing need for naval artillery, as demonstrated in the Falklands war and Lebanon, and the probable deployment of precision-guided munitions for naval guns in the next few years, will, in our judgment, increase demand for these weapons. [redacted]

Electronics Equipment

Radars, sonars, communications, and fire-control systems for ships are produced by several West European firms: Signaal (Netherlands), Thompson-CSF (France); Decca, Phillips, and Marconi (United Kingdom); and Selenia-Elsag (Italy). Signaal and Thompson-CSF have been the most successful in the naval electronics sector; Signaal by virtue of its strong affiliation with British and West German shipbuilders and Thompson-CSF through its association with France's overall dynamic export program. Most electronic equipment firms are involved in modernizing older ships as well as equipping new ones. Decca, for example, recently refitted eight Soviet-built Osa-class missile attack craft with navigation radars for

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Table 2
West European Close-In-Weapons
Systems—Guns

Country	Firm	System	Caliber (mm)	Rds/min.
Spain	Bazan	Meroka	20	9,000
Switzerland	Oerlikon	Seaguard	25	3,400
Netherlands	Signaal	Goalkeeper	30	4,200
United Kingdom	Vickers	Sea Dragon	30	4,200

Egypt, according to trade journals. [redacted]

Shipyards Face Bleak Prospects

Unlike equipment manufacturers, West European shipyards face a softer international naval market following a decade of success. Almost half of foreign built warships now in the inventories of maritime nations or on order come from West European shipyards (table 4). These yards have out performed their Soviet and US counterparts in constructing small missile attack craft and conventional submarines. The US Navy has demonstrated only a passing interest in missile attack craft and has purchased only nuclear-powered submarines for the last two decades. West European yards have also sold most of the new major surface combatants on the world market; almost all US and Soviet sales involve surplus ships. [redacted]

Lower prices have aided West European efforts. According to trade journals, new US frigates cost considerably more than their European counterparts (table 5). [redacted] for example, that Dutch, German, and British estimates for a new command ship for the Indonesian Navy were between \$105-140 million and were far below the bid of a US competitor. The lower costs of less capable electronics and weapons systems, as well as subsidies to West European shipbuilders, are reportedly responsible for this price differential. [redacted]

Table 3
West European Naval Guns

Manufacturer	Caliber (mm)	Number of Guns In Service	Number of Countries
Bofors	57	45	6
	120	3	1
Creusot-Loire	100	6	1
Oto Melera	76	400	34
	127	23	6
Vickers	114	16	5

Despite their past success, West European shipbuilders face a troubled future. The increasing foreign demand for naval ships, which was used to offset the decline in demand for commercial shipping in the 1970s, appears to be waning. Trade journals estimate that the market for small missile attack craft is approaching saturation, although corvettes and conventional submarines continue to be in demand. This demand may be cut, however, by fiscal problems facing many key purchasers including Iraq, Egypt, and Argentina. [redacted]

The desire of many Third World countries to build their own warships is also cutting into West European sales. Singapore, Brazil, Argentina, and India have made substantial investments in dockyards and are attempting to make the jump from licensed production to manufacturing indigenously designed ships. Brazil and India, for example, are already building their first frigates. [redacted]

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Table 4
Worldwide Export Ship Inventories

Supplier (type)	Total	Western Europe	Soviet Union	United States
Total	931	419	264	248
Major Surface	365	133	46	186
Minor Surface	405	206	175	24
Submarines	161	80	43	38

Finally, the perceived vulnerability of surface combatants to antiship missiles will give pause to countries that want to expand or modernize their surface fleets. We believe ground and air forces competing for scarce defense funds will be sure to emphasize this vulnerability. Economic problems confronting most LDCs will tip the balance against Navy proponents who will point to costly new ship defenses including close-in-weapons systems, antimissile missiles, decoys, and electronic countermeasures. [redacted]

Even with this soft demand, we believe that most West European governments will try to keep their shipyards open given national security concerns and the desire to maintain employment.¹ West European shipyards and governments have a number of options in dealing with this soft market:

- **Direct subsidies.** Many dockyards in France, Spain, and Britain are nationalized and receive direct subsidies through national defense budgets. Semi-public yards in Germany and Italy receive funds through state holding companies. Recently, the Dutch parliament also authorized compensation for Wilton-Fijenoord after its decision to prohibit that firm from making additional submarine sales to Taiwan.

¹ The Thatcher government's decision to close two yards in 1982 was a unique event given the gradual contraction of Britain's traditionally large navy and the large number of yards still in existence. [redacted]

- **Domestic orders.** RSV, Wilton-Fijenoord's parent company, was rescued from bankruptcy by increases in government spending on Dutch naval shipbuilding, according to Embassy reports. According to a US attache report, the Netherlands may sell one of its Van Speijk-class frigates "to the highest bidder" in order to allow for continued construction for the newer Kortenaer class, providing additional work for Dutch shipyards.

- **National marketing consortiums.** In these consortiums, shipyards join with naval equipment manufacturers to offer foreign customers a wider variety of designs, equipment options, and financing packages. Consortiums also reduce competition between shipbuilders in the same country and provide a more unified basis for competing in the international market. Italian shipbuilders joined with naval equipment manufacturers to form two consortiums in 1977 and scored their largest sale to Iraq in 1980. In 1982 three privately owned French firms formed France Navale, a consortium with design capabilities borrowed from the French naval arsenal (DCTN). France Navale, however, is not bound by DCTN's policy of using only French equipment in the ships it sells.

- **Mergers and Divestitures.** West European governments commonly use mergers and divestitures to increase and decrease their support for shipbuilders. In Italy many inefficient yards have merged with Cantieri Navali Riuniti, the Italian shipbuilding conglomerate. In Britain, however, the Thatcher government plans to sell off the profitable military yards to British shipbuilders. Similarly, RSV, the Dutch conglomerate, was divested of some of its more efficient yards after it went bankrupt last year.

- **Paring employment.** West European work laws generally make this option difficult to implement. In France and West Germany, employment has been allowed to slowly decline by about 25 percent since the mid-1970s. Britain has also reduced employment in some yards.

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Table 5
West European Frigates Exports

Recipient Country	Year	Value	Supplier Country	Class	Weight (tons)	Guns	Missiles	Crew	Propulsion
Greece	1981	\$120m	Netherlands	Kortenaer	3,630	2-76/62 OM 1-40	8 Harpoon 8 Sea Sparrow	167	4 Rolls Royce gt
Nigeria	1977	\$168m	FRG	MEKO 360	3,630	1-127/54 OM 8-40/70 Breda	8 Otomat 8 Aspide	200	2 Rolls Royce gt
Saudi Arabia	1980	Unknown	France	F-2000	2,610	1-100 CL 4-40-mm Breda	8 Otomat 26 Crotale Navale	179	4 SEMT-Pielstick diesels
Egypt	1982	\$116m	Spain	F-30	1,450	1-76/62 OM 2-40/77 Breda	8 Harpoon/Exocet 8 Sea Sparrow	116	4 MTU-Bazan diesels
Still under design		\$170m estimate	UK	Type 23	4,000	1-4.5 in Vickers	Harpoon Sea Eagle Seawolf	150+	2 Rolls Royce gt
Iraq	1980	\$250m	Italy	Lupo	2,500	1-127/54 OM 4-40/70 Breda	8 Otomat 8 Aspide	185	2 Fiat gt 2 GMT diesels

Abbreviations: OM = Oto Melera
GMT = Grand Motor Trieste
MTU = Motor Turbine Union
gt = gas turbine
CL = Creust-Loire

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• Diversification. Spain's Bazan and Britain's Vickers have traditionally manufactured weapons other than warships. Other shipyards have diversified into other defense manufacturing only recently to protect themselves from market cycles. West Germany's Thyssen, for instance, has begun producing tanks. [redacted]

sacrifices. Meanwhile shipyards will continue to collect government subsidies and hope that civilian shipowners will take advantage of surplus shipyard capacity by ordering new ships at lower prices. [redacted]

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The elimination of inefficient shipbuilders thus appears to be an unlikely prospect. Trade journals suggest that all West European shipbuilders recognize the problems of the soft naval market, but that each country is waiting for someone else to make the

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Gray Market Arms Scams [redacted]

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Summary

The international gray arms market, in addition to facilitating the purchase and movement of weapons on other than a government-to-government basis, lends itself to the perpetration of a variety of fraudulent arms deals. Identifying such fraudulent deals is often difficult but is an important element in monitoring arms transfers. These fraudulent deals—or scams—frequently involve smalltime or disreputable brokers, operating under the cover of several front firms. These individuals usually offer unrealistically high quantities of virtually unobtainable equipment and seek both large advance downpayments and long delivery schedules. Iran—at war with Iraq and having few reliable military suppliers—has often been the mark for many of these gray market arms scams. [redacted]

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Gray Market Arms Scams

Because of its secretive nature, the international gray arms market is used by recognized governments, established manufacturers, private dealers, and a variety of terrorist, insurgent, and criminal groups to buy and sell large quantities of weapons through unofficial—and often illegal—channels. The weapons most commonly traded on the gray market are small arms, although [redacted] heavy machineguns, recoilless rifles, and mortars as well as a wide variety of artillery munitions, telecommunications equipment, and spare parts are also available. In addition to such equipment, however, gray market dealers have also sought to broker the sale of large quantities of such advanced weapon systems as Exocet missiles and Cobra helicopter gunships, [redacted] [redacted] Offers for this kind of expensive material have traditionally been made to pariah states—such as Libya and South Africa—or to embargoed nations at war—such as Argentina during the Falkland crisis. Recently, many such offers have been made to Iran, which has been one of the most active buyers on the international gray arms market since the beginning of the war with Iraq. [redacted]

Recognizing Scams

Gray market scams frequently exhibit one or more discernible characteristics. While any offer of large quantities of hard-to-obtain ordnance should be viewed with skepticism, the offer of such equipment by a small, obscure firm or individual is even more suspicious. [redacted]

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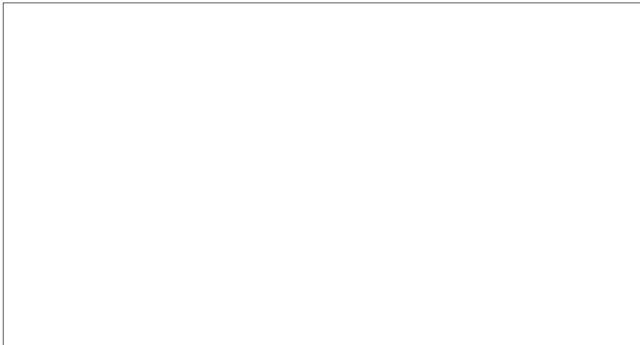
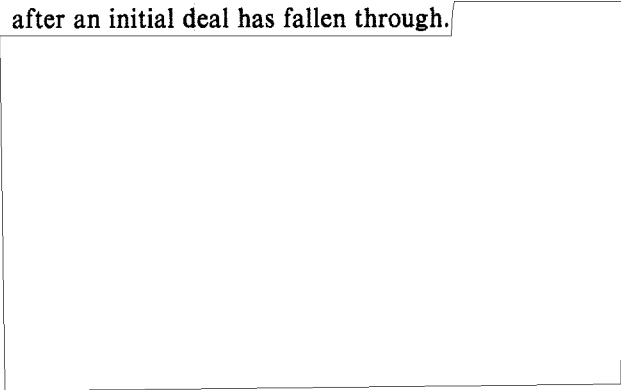
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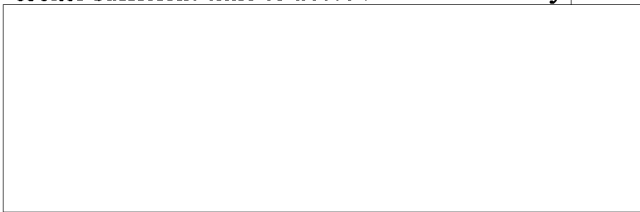
Individual arms brokers offering weapons on behalf of several firms are also suspicious. Smalltime dealers probably negotiate on behalf of allegedly different firms in order to impress clients with the scope of their contacts or to maintain access to a potential buyer after an initial deal has fallen through.



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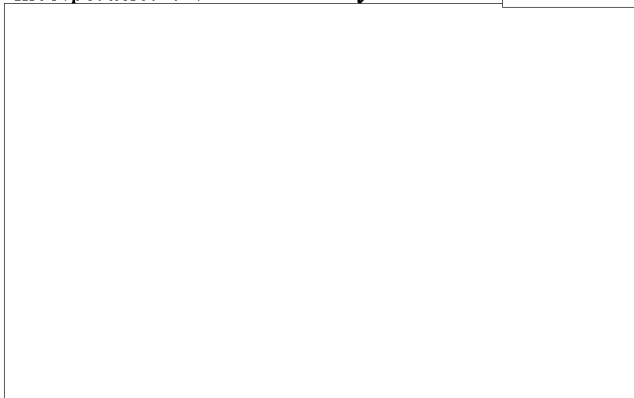
Similarly, another indication of a possible scam is the request for a large downpayment coupled with a long delivery schedule—intended, no doubt, to allow the broker sufficient time to abscond with his money.



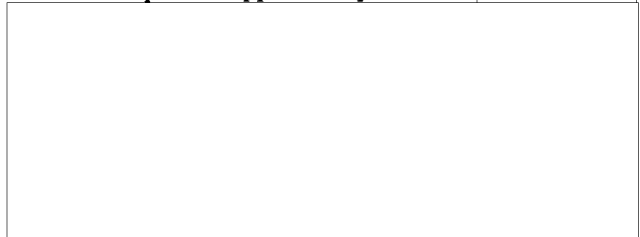
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Similarly, cases of two or more firms operating out of the same office are suspect. Gray market swindlers may establish phony intermediaries and front companies in order to insulate themselves from a customer who may seek revenge after realizing that he has been cheated. Multiple firms at the same address are even more suspicious when the firms claim a foreign incorporation that cannot easily be verified.



In addition to requesting long delivery schedules, gray market dealers seeking to set up a scam will frequently attempt to convince the client of the need to act quickly either by claiming that his own option to buy will expire soon or by implying that the equipment could end up in an opponent's possession.

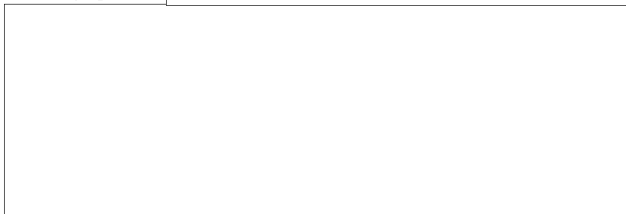


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Another good indication that a gray arms negotiation may be a scam is the request on the part of the supplier for a large downpayment prior to the delivery of any goods.



Offers of both hard-to-obtain and readily available equipment suggest that some dealers may seek to “bait-and-switch,” by seeking a downpayment for hard-to-acquire, advanced ordnance in the hope of supplying other, less sophisticated equipment at a later date.



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[Redacted]

Although we do not know how much money Iran has lost as a result of fraudulent gray market deals, we believe that the amount was at least \$100 million by the end of 1982. [Redacted]

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Iran: A Target for Scams

At the outbreak of the war with Iraq, Iran was not in a position to acquire all of its military needs on a government-to-government basis, [Redacted]

[Redacted] The revolutionary government had halted practically all official arms buying activity, and established procurement channels had been abandoned. As a result of the loss of traditional contacts with the United States and Europe, an embargoed Iran entered the international gray arms market, where hundreds of private dealers and would-be agents offered to broker the sale of all manner of military equipment for the new regime. [Redacted]

While we expect that gray market dealers will continue to offer advanced military equipment to Iran, we believe that Iranian procurement officers are becoming sufficiently cautious to discriminate between credible and improbable offers. We expect that gray arms market brokers will continue supplying conventional small arms and munitions to Iran as well as to any other client with sufficient cash to pay for them. They are unlikely, however, to find another customer willing and able to advance them large sums of money in return for the promise of advanced equipment—until the next international crisis or arms embargo creates a seller's market for such ordnance. [Redacted]

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Although arms dealers from Hong Kong to Pakistan have attempted to sell arms to Iran, most appear to reside or operate in West European countries such as Portugal, Spain, West Germany, Austria, and especially, Switzerland—the latter presumably because of its prominence as an international banking center and its favorable incorporation laws. Some offers from these dealers appear credible and involve relatively small quantities of small arms, munitions, and other expendables which are readily available on the international gray arms market. Other offers appear to be frauds, however, with small-time—often disreputable—dealers proffering unrealistically large quantities of sophisticated and virtually unobtainable weapon systems at exorbitant prices. [Redacted]

[Redacted]

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Nuclear Proliferation

Implications of Argentina's Uranium Enrichment Capability

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Summary

Argentina's sudden public announcement in mid-November of a breakthrough in uranium enrichment technology has increased speculation about the potential military applications of Argentina's nuclear research efforts. The new regime—which was apparently surprised by the announcement—probably will not open the enrichment facility to international safeguards inspections. An unsafeguarded enrichment facility will make it more difficult to monitor possible Argentine weapons-related activities and could damage Argentine relations with major nuclear suppliers. Furthermore, some military officials in Brazil and Chile already have suggested that their governments intensify nuclear research outside safeguards for national security reasons.

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The Announcement

The former head of Argentina's Atomic Energy Commission, Retired Admiral Carlos Castro Madero, announced last November that his country has successfully operated a pilot-scale gaseous diffusion uranium enrichment facility. According to Castro Madero, the present facility is the "first module" of a larger uranium enrichment plant that, when complete, will be capable of enriching about 500 kilograms of uranium a year to the 20-percent level. This larger plant is reportedly in the "advanced stages" of construction and is scheduled to be completed by the end of 1985. Both facilities are located near Bariloche, about 1,000 miles southwest of Buenos Aires. The Argentines showed the pilot-scale enrichment facility to IAEA Director General Hans Blix on 24 November 1983.

for use in Argentina's five small light water research reactors, a decision prompted by Argentina's refusal to accept safeguards administered by the International Atomic Energy Agency (IAEA) on all Argentine nuclear activities. The Argentines claim that the uranium enrichment development program will provide a reliable source of enriched uranium for their small research reactors. Furthermore, they maintain it will enable Buenos Aires to be a reliable supplier of enriched uranium to its own nuclear customers in Latin America, particularly Peru, which has purchased a small Argentine research reactor. In his announcement, Castro Madero also emphasized that Argentina plans to utilize some low-enriched uranium (probably at the 1-percent level) in the country's two operational natural uranium reactors, a move that would increase fuel efficiency.

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Castro Madero publicly justified the decision to launch research in uranium enrichment technology as a legitimate reaction to the 1978 US decision to terminate the supply of US-origin enriched uranium

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Argentina's Intentions

Castro Madero's sudden announcement of this sensitive and difficult achievement was made without any previous indication that Buenos Aires was seriously considering construction of a gaseous diffusion enrichment facility. Buenos Aires has, however, for many years made clear its intention to obtain a complete nuclear fuel cycle outside IAEA safeguards. This new development goes far in achieving this objective by giving Buenos Aires two options for acquiring fissile material—enriched uranium or plutonium reprocessed from a heavy water nuclear fuel cycle using natural uranium. [redacted]

The announcement, which apparently took the newly elected civilian regime by surprise, was made by the Argentine Foreign Ministry with the approval of the outgoing military government. We believe that the timing of Castro Madero's announcement was influenced by the desire of senior Argentine nuclear officials to influence the new government on the importance of nuclear research and the need to maintain a well-funded nuclear energy program. The new President, Raul Alfonsin, who was inaugurated in December 1983, had campaigned in opposition to nuclear weapons research and his advisers have stated that nuclear energy in the future will be given a lower priority. [redacted]

We cannot independently confirm Argentina's capability to enrich uranium, but their claim to have enriched some uranium through the gaseous diffusion process probably is accurate. The visit by the IAEA director general confirmed the existence of a pilot-scale enrichment facility, and it would have served little purpose for Castro Madero to prematurely unveil Argentina's enrichment capability. The projected completion of the larger facility in 1985 probably is overly optimistic, however, because of financial and possible technical constraints. [redacted]

The Argentine achievement underscores Buenos Aires's determination to master both routes—uranium enrichment and plutonium separation—to fissile material production. Most other countries that have posed a proliferation threat have pursued only one route to fissile material acquisition. Generally the plutonium route is chosen because it technically is easier and less costly to accomplish. India and Israel

are the best examples of countries that have used the plutonium route to complete the nuclear fuel cycle for possible military use. Pakistan, which has a strong desire to acquire a nuclear capability, is the only other developing country known to have made a serious effort to build both uranium enrichment and plutonium reprocessing facilities. [redacted]

The Argentine and Pakistani cases are also similar in that both countries managed to keep secret their efforts to acquire enrichment technology for an extended period of time. In Pakistan's case, centrifuge enrichment technology was obtained illegally from Western Europe's uranium enrichment consortium, URENCO, in the mid-1970s. We do not know how Argentina developed or acquired gaseous diffusion technology. The Argentines publicly stated that their effort was accomplished with 15 percent foreign participation. [redacted]

Proliferation Impact

The Argentine breakthrough in this sensitive area of nuclear science makes the Argentine proliferation threat substantially more serious than before. A country that can enrich uranium to the 20-percent level has substantially overcome the technical obstacles to the production of weapons-grade fissile material (that is, uranium enriched to the 80- to 90-percent level). Uranium enrichment to a weapons-grade level then becomes a political decision rather than a technical problem. While we do not doubt the Alfonsin government's [redacted] assurances that it will not build a nuclear device, the existence of this capability avails future political leaders of a potentially troublesome new technical option. [redacted]

The Argentine announcement has given a major boost to those individuals in Brazil and Chile pushing for indigenous nuclear research, outside IAEA safeguards. The Brazilian Government received advance notification and subsequently issued public congratulations to the Argentines for their achievement. [redacted]

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Like Argentina, neither Brazil nor Chile has signed the Nuclear Non-Proliferation Treaty (NPT) and, as a result, has reserved the legal basis for justifying indigenous nuclear activities free of international inspection. [Redacted]

Argentine nuclear officials probably will try to counter foreign criticism by emphasizing that IAEA safeguards for uranium enrichment facilities are still in the developmental stage. Furthermore, even if such safeguards were available today, the Argentines probably would reject them on the grounds that inspections would compromise a major commercial secret. [Redacted]

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Brazilian and Chilean officials also have expressed publicly their concern that the Argentine nuclear program might eventually move toward weapons-related research. In Brazil, a new level of public concern was sparked when a number of the highest ranking military officers for the first time felt compelled to publicly state that Brazil will be capable of producing its own nuclear weapons in the 1990s. [Redacted]

As long as the new enrichment facility remains outside safeguards, the ability of the IAEA to provide any timely warning of weapons-related activities which may take place in Argentina is seriously jeopardized. [Redacted]

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Prospects

The civilian Argentine Government of Raul Alfonsin is finding it difficult to balance its conflicting domestic and foreign policy interests resulting from Castro Madero's unexpected revelation. The government quickly established a three-person advisory committee within the office of the presidency to scrutinize the nuclear program, place it under civilian control, and perhaps put it on a tighter budget. Nonetheless, the military continues to be involved in key aspects of the nuclear program including construction of a reprocessing plant to obtain plutonium and a nuclear submarine project. The Argentine press, furthermore, has continued to praise the achievement of the country's scientific elite. According to a number of press reports, the Alfonsin government does not intend to open the new enrichment facility to IAEA safeguards inspection. Acceptance of international inspections at indigenous nuclear facilities would signify a radical departure from all previous Argentine policy statements on this issue. Thus far, Buenos Aires's position has been that IAEA safeguards are only acceptable in cases where there has been an actual transfer of nuclear materials, equipment, or technology to Argentina. [Redacted]

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Narcotics

Drug Traffickers' Relations With the Media in Colombia, Bolivia, and Peru

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Summary

Drug traffickers in Colombia, Bolivia, and Peru increasingly recognize the ability of the media to influence public perceptions about their activities. Colombian and Bolivian traffickers have undertaken extensive, highly visible efforts in recent years to enhance their images and activities, to build on the general public acceptance of the drug trade, and to discredit government control programs through manipulation of the print and broadcast media. Peruvian traffickers, on the other hand, have used violence to discourage journalists from focusing attention on their illegal activities.

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Colombia: Traffickers Take the High Road

Traffickers' exploitation of the media in Colombia has built upon ambivalent public opinion and the long-standing belief that controlling drug trafficking and drug abuse is a "norte americano" problem. The particular emphasis has been the notion that Latin American countries have cultivated coca and marijuana for traditional uses for centuries and that US attempts to direct narcotic control programs represent interference in Colombia's internal affairs. Some major Colombian traffickers have used their access to the press to portray themselves as national heroes or as public-spirited benefactors interested in promoting betterment of the population and maintaining national integrity.

knowing they will command coverage by radio, television, and the press. In July 1983 he startled even those accustomed to his outspokenness by openly admitting his involvement in narcotics trafficking which he justified as bringing badly needed dollars into the Colombian economy.

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Access to the Press

Cocaine giant Carlos Lehder Rivas has been especially successful in using the media to his advantage. Stressing the issue of nationalism, Lehder has financed full-page ads in Colombia's major newspapers and magazines opposing the government's antidrug efforts, in general, and the US-Colombian Extradition Treaty, in particular. He has granted interviews

Lehder has insured regular dissemination of his views through the *Quindio Libre*, a weekly newspaper he purchased in his native Department of Quindio in 1982. The paper serves as a platform for the political party he founded in 1983—the Latin National Movement—which he has described as a "simple civic movement representing a small forgotten people." Lehder's unrelenting attack on the US-Colombian Extradition Treaty in his paper and other publications helped create the unfavorable political climate that blocked the US request for extradition of two major Colombian traffickers in late 1983.

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Another major trafficker, Pablo Escobar Gavira, commands space in the press by paying for it, in the opinion of some Colombian journalists, or by his political activities. In early 1983, an article suspected as Escobar-inspired appeared in the popular magazine *Semana*, ranking him not only as one of the wealthiest men in Colombia, but also as one of the most powerful men in the world. The feature depicted him as a local hero in his native Department of Antioquia and a great benefactor and promoter of his city. *Quindio Libre* frequently carries unsolicited, favorable articles on Escobar, praising him as a "critical, independent thinker." Escobar's local influence and financial contributions have secured him an appointment as an alternate Liberal Party member of Congress. Embassy reports indicate his desire to exert more direct political influence, a goal his efforts to publicize a glorified popular image would support. [redacted]

Access to the Airwaves

Through the purchase of radio stations, narcotics traffickers in Colombia have acquired the capacity to convey their stand on drug-related issues to an even larger audience. According to US Embassy reports in late 1983, known cocaine traffickers Gilberto and Miguel Rodriguez purchased Colombia's fourth-largest radio network, *Grupo Radial Colombiano*, which includes 23 stations that effectively cover the nation. In addition, the Rodriguez brothers obtained 10 new broadcasting licenses and have launched a second network, *Radio Rumbos*. Broadcast personnel have told Embassy representatives that these networks enjoy large operating budgets and employ veteran radio personalities who were lured away from other networks by enormous salaries. [redacted]

Antidrug Media Efforts

Although traffickers have successfully flooded the media with their message, the antidrug forces in Colombia have some respected supporters in the media. Mauricio Gomez, director of Colombia's popular *24 Horas* news program, won the 1983 Simon Bolivar Prize for Journalism, Colombia's most prestigious journalism award in the category of Investigative Television Reporting for his five-part series *The Cocaine Connection*. He produced this documentary in the United States with US assistance. Although the Colombian Government is only beginning officially to acknowledge the problem of domestic drug abuse, the

Colombian media has been attempting to enhance the public's awareness. For example:

- *El Tiempo*, Bogota's major daily newspaper, has urged the state to recognize growing drug abuse among the young as a serious national problem.
- *El Espectador*, Colombia's second-largest daily, has given thorough and balanced coverage to the herbicide issue and has written about the connection between drug traffickers and insurgents. [redacted]

Bolivia: Grassroots Approach

Publicity efforts sponsored by Bolivian drug traffickers are directed at the campesinos who grow and refine coca, and seek to exploit the view widely held in Bolivia that the illicit drug industry helps support large segments of the population. The dominant themes have been that coca cultivation is an economic necessity for many hard-pressed farmers and that the use of herbicides in eradication will poison vast portions of the environment and the population for generations. Heightened awareness of their stake in the issue has prompted large numbers of campesinos to join organizations such as the Coca Congress and the Chapare Farmers' Federation, which serve as strong defenders of coca cultivation. According to US Embassy officials, even though these organizations are masterminded and largely financed by traffickers, they provide a rallying point for the individuals most directly affected by government eradication plans. [redacted]

Reaching the Masses

Cocaine proponents in Bolivia produced an expensive, prime-time television show in September 1982, *The Legend of Coca*. According to the US Embassy, this was an extremely effective propaganda device in a country where the literacy rate is substantially lower than that of Colombia or Peru. According to US Embassy reports, the film was the brainchild of journalist Gonzalo Lopez Munoz and financed largely by narcotics trafficker Jose Paz Hurtado. We concur with the view of the US Embassy that it was a skillful blend of a few facts and many distortions, such as blurring the distinction between coca and cocaine. At the urging of US officials, Bolivia's Minister of Information refused to allow a second showing of the film, fired the director of Bolivian national TV, and

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The Legend of Coca

Broadcast nationally, the film retold the ancient Andean legend of how a sympathetic god gave the gift of coca to the long-suffering Andean people to enable them to withstand the cold and hunger of the mountains. Since the gift was intended only for the pure of heart—anticipating current US problems with cocaine—the televised version of the legend claimed: “If the cruel men of the north, the white conquerors . . . should touch the leaves, they will only find in it poison for their bodies and madness for their minds, because their hearts are hardened.” [redacted]

The Legend of Coca defended coca's biological benefits: increasing respiration, safely alleviating anxiety and depression, and even serving as a food substitute with nutritional value superior to other, unspecified South American foods. Dire warnings about the biological dangers of the herbicides used in eradication increased the volume of misinformation that has created widespread public fears about herbicides. The film ends with a call to legalize, nationalize, and industrialize coca, directing it toward the manufacture of concentrated food, anesthetics, and antidepressive medication. The film argues that the medicinal market rightfully belongs to the coca-producing countries, but through extensive marketing efforts, foreign transnational corporations have created a preference for their synthetic drugs which, though inferior and marred by dangerous side effects, net billions of dollars. Thus, the film concludes that the major reason the United States is trying to eradicate Bolivian coca is to better compete in this lucrative market. [redacted]

rebroadcast the USIS documentary, *The Continuing War on Drugs*, which had been shown a year earlier. [redacted]

According to press and Embassy reports the leading trafficker behind the media that reached a peak in 1982 campaign was Roberto Suarez Gomez—known in Bolivia as the “king of cocaine.” Suarez adopted a direct personal approach to the press but unlike Carlos Lehder in Colombia, steadfastly denied any involvement in the drug trade. He cultivated the “local boy makes good” image, attributing his wealth

to cattle ranching. In a series of open letters, Suarez charged President Reagan with forcing coca eradication in Bolivia to protect purported extensive coca plantations in California, denying the struggling Bolivian farmer both his birthright and livelihood. [redacted]

With a great deal of fanfare, Suarez flew radio and newspaper journalists to his ranch in the Beni in July 1983 for a series of interviews during which he described a sophisticated defense system to protect himself from possible apprehension by agents of the US Drug Enforcement Administration who, along with the US Ambassador, he claims have made slanderous charges against him. Suarez offered to surrender to US authorities to prove his innocence of drug trafficking charges pending against him in the United States on the condition that the United States pay the Bolivian foreign debt. [redacted]

Achieving Results

This spate of antidrug efforts by traffickers in 1982 succeeded in influencing or altering some government efforts that year. For example, in the spring of 1982 controversy in the press over the use of herbicides prompted the government of General Torrelío to renounce further use of herbicides for such purposes, bringing the US-funded pilot eradication project in Yapacani to a halt. Similarly, the national broadcasting of *The Legend of Coca* in September 1982 probably strengthened the inclination of the Torrelío's successor, General Vildoso—since replaced by Herman Siles—to defer action on its five-year coca control plan. [redacted]

Peru: Trafficking and the Media

Trafficker-instigated violence against investigative journalists has reached a significant level in Peru. Journalists attempting to examine the suppliers of drugs have been the objects of violence or intimidation on several occasions:

- A dynamite attack in July 1983 destroyed the automobile of newsman Edgar Puertocarrero, a correspondent for the Peruvian newspaper *La Republica* and the BBC, London, who was investigating drug trafficking in the city of Tarapoto in the northern Amazon region of Peru. Puertocarrero reported he had also received threats against his life.

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- Carlos Vegue, director of the weekly *Selva*, was severely beaten, and the house of Manuel Areval, correspondent for opposition newspaper, *El Diario*, was set afire. Both men were publishing articles critical of drug traffickers.
- Both the radio and newspapers reported the January 1983 arrest of Catalino Escalante Calvo, known as the drug trafficking czar of Tingo Maria, during a cocaine seizure. Escalante was also charged with murdering journalist Orlando Carreras in September 1982.

documented; and legalization would eliminate one of its major attractions, that is, that it is forbidden. To counter student arguments the article quoted a prominent Peruvian psychiatrist who argued that: marijuana use can cause genetic damage in the children of users; users become mentally sluggish; and marijuana users tend to progress toward stronger, more dangerous drugs. [redacted]

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Articles linking reprisals with investigative reporting on trafficking have been published as warnings to other journalists. Citing personal experience, authors have stated that a reporter who attempts such a project "is taking his life into his hands." [redacted]

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Notwithstanding these attempts at intimidation, the Peruvian press continues to report drug arrests, seizures, and trials, in a straightforward, objective manner. President Belaunde's strong public statements against the drug trade receive thorough coverage, as do the details of government control efforts. The Peruvian media also pursue the problem of domestic drug abuse aggressively, with frequent articles, editorials, and surveys. The press, for example, has highlighted a serious increase in the dangerous practice of smoking coca paste, known as *basucas*. Using coca in this semirefined state, the smoker inhales harmful impurities, including kerosene and cement. The clearly damaging nature of this substance has generated widespread concern about the effects of drug consumption on users and society. [redacted]

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While there is general agreement in Peru that smoking *basucas* is harmful, debate over marijuana consumption continues. The press reflects the arguments in favor of legalization but balances its coverage by including arguments against legalization as well. For example, in 1983 Lima's *El Observador*, published the results of a survey on the attitudes of university students toward legalization of marijuana. Seventy-five percent favored legalization for the following reasons: marijuana is widely used; its dangers are not

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International Organizations

North-South Dialogue: Prospects in 1984

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Summary

We believe the developing countries will continue to press their demands for a New International Economic Order (NIEO) this year despite their inability to make significant progress on it during the past decade. In our judgment, they will cling to the NIEO because it represents their vision of an egalitarian world order, unites them by consolidating their economic demands into one proposal, and places principal blame for their economic difficulties on external rather than internal factors. The developing countries will focus on four North-South issues in 1984: ratification of the Common Fund, the convocation of an international monetary conference, the launching of Global Negotiations, and the enactment of 39 "immediate measures" for reform of the specialized agencies in the United Nations, particularly the IMF.

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The Common Fund

The Common Fund obliges participating nations to make prorated financial contributions to a central body that would intervene in commodity markets in an effort to increase the revenue of developing countries. The Common Fund would embrace as many as 18 nonfuel commodities, five of which are already covered by price-stabilizing international commodity organizations. For the Common Fund to become operative, 90 ratifications and direct capital contributions of \$313 million are needed. As of late 1983, 110 countries, including the United States, had signed the agreement, but only 68 nations accounting for about \$200 million in contributions had ratified it. The countries that have ratified probably will meet this spring to set a deadline by which the agreement must enter into force or be scrapped. It appears likely that enough new ratifications will be forthcoming this year to make the agreement's fate contingent on the United States, which is slated to make the largest capital contribution, \$74 million.

We expect the other major industrial countries will press the United States at the June 1984 London Economic Summit to ratify the Common Fund. In our judgment, the setting of a deadline in conjunction with the expected new ratifications will make the Common Fund a high-profile issue around the time of the summit. Four summit participants—Japan, Great Britain, France, and Canada—have ratified the agreement while two others, West Germany and Italy, have begun ratification procedures. We believe our summit partners will see the Common Fund as an opportunity to enhance their image with the Third World. It has great symbolic value because it would be the first part of the NIEO to become operative and entails only a small direct expense for the other summit countries ranging from \$11 million in direct capital contributions for Canada to \$34 million for

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Japan. We expect Japan to take the lead in lobbying for the Common Fund at the summit. It played a similar role at UNCTAD VI in June 1983. According to US Embassy reporting, Tokyo sees its stand on the Common Fund as an important element in its relationship with Malaysia, the Philippines, and Indonesia—all supporters of the agreement. [redacted]

An International Monetary Conference

At the March 1983 Nonaligned Summit in New Delhi, the developing countries called for an international monetary conference to negotiate the financial issues contained in the NIEO. The proposed conference would have universal participation and focus on "reforming" the IMF. The conference, however, would not be held under the auspices of the IMF where the industrial countries have effective control. At the May 1983 Williamsburg Economic Summit, the seven major industrial countries, prompted by France, said that they would invite finance ministers from unspecified countries and the head of the IMF to consider the possibility of a high-level monetary conference. Subsequently, India, the chairman of the Nonaligned Movement, implored the industrial nations to enter into a dialogue with the developing countries on the organization of a monetary conference. The developing countries tried unsuccessfully at UNCTAD VI and the fall 1983 UN General Assembly session to gain the industrial nations' approval for resolutions that incorporated language on a monetary conference from both the New Delhi and Williamsburg communiqués. [redacted]

We believe the developing countries will make a major effort in 1984 to initiate preparations for a monetary conference. We expect they will try to formulate a UN resolution that would commit the industrial nations to the convocation of a conference. Press reports indicate that they have established a group of experts to work out the details of their proposal. The developing countries hope to keep alive the idea of a conference and to be prepared with their own proposals should the industrial countries decide to hold high-level discussions on monetary reform. [redacted]

We doubt that a Third World proposal for a monetary conference will win significant support from the EC and Japan. The major industrial nations have made clear that discussion of a monetary conference must start in the IMF's Group of 10, which they dominate.

Most industrial nations have little interest in a conference addressing their own monetary problems much less one focusing on Third World concerns. [redacted]

Global Negotiations

We believe the so-called Global Negotiations, which the developing countries first proposed in 1979, will be a secondary issue in 1984. Global Negotiations would involve recommendations by the Third World-dominated UN General Assembly on trade, aid, energy, commodities, and finance to the UN's specialized agencies, such as the IMF, the World Bank, and GATT. The industrial and developing countries have been unable to agree on a General Assembly resolution that would launch Global Negotiations. In an attempt to break the impasse, the developing countries proposed at the fall 1983 session of the General Assembly that Global Negotiations be separated into two stages. This approach would postpone discussion of the two thorniest issues, energy and finance, so that negotiation of the less controversial issues could begin. The developing countries, however, have not yet offered details on how the two-stage approach would work. [redacted]

Immediate Measures

[redacted] the developing countries concluded at the March 1983 Nonaligned Summit that Global Negotiations were unlikely to bring progress on the NIEO in the near future. Consequently, they formulated 39 "immediate measures" that they want to pursue in the IMF, the World Bank, GATT, and other UN specialized agencies. The measures are virtually identical to the NIEO demands and stress the need for the IMF and World Bank to transfer funds quickly to the developing countries. The developing nations say that the immediate measures are meant to supplement, not replace, Global Negotiations. [redacted]

We doubt the EC and Japan will urge the United States to consider the immediate measures. These proposals require substantial short-term resource transfers, and we have no evidence that any major industrial country is prepared to make them. The

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The New International Economic Order

The NIEO presumes that sustained economic growth in the developing countries can occur only through a massive North to South transfer of wealth and dramatically increased Third World power in international economic institutions. It focuses on changes in five areas: money, trade, commodities, aid, and energy.

Money:

- *The IMF's system of tying a member's voting strength to its financial contribution should be altered so that the LDCs can have voting power commensurate with their numbers.*
- *The IMF should create large new quantities of Special Drawing Rights, mostly to be allocated to the developing countries.*
- *The IMF should relax the conditionality it attaches to its loans so as not to conflict with a member's national economic program.*
- *The IMF should use its loans to encourage expansion in domestic production rather than correcting foreign payments problems.*
- *Stable exchange rates should be created through the use of target zones and guidelines supervised by the IMF.*
- *The IMF should expand its resources by borrowing from capital markets and linking increases in its quotas to growth in world trade and payments.*

Trade:

- *Industrial countries should increase nonreciprocal trade preferences for the LDCs.*

- *The industrial countries should dismantle protectionist barriers to Third World exports.*
- *The industrial nations should phase out their aging industries so that LDCs can expand their market shares.*
- *GATT and UNCTAD should engage in more joint activities and eventually merge.*

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Commodities:

- *Enactment of the Common Fund.*
- *Industrial nations should assist the LDCs to increase their participation in the processing, marketing, and distribution of their commodities.*
- *Prices of commodities the LDCs export to the industrialized countries should be linked to the prices of manufactured goods the LDCs import from the industrialized countries.*

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Energy:

- *The World Bank should establish an energy affiliate to finance Third World energy projects.*
- *The industrial nations should transfer energy-related technology to the LDCs.*

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Aid:

- *Industrial nations should donate 0.7 percent of their GNP to the LDCs in foreign aid; the aid should be assured, continuous, and automatic.*

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developing countries pressed for the immediate measures at UNCTAD VI and the September 1983 IMF/World Bank meetings, but the industrial nations refused to make substantive concessions.

The Soviet Union and the North-South Dialogue

The Soviet Union has used North-South forums to try to win Third World sympathy for its positions on East-West issues. At UNCTAD VI, for example, the Soviets claimed that the United States was diverting

aid into arms expenditures and that US sanctions on East-West trade were limiting Soviet access to hard currency and thus curtailing Moscow's ability to aid the developing countries. Despite such claims, the US delegation to the conference reported that the Soviet Union did not enhance its image with the developing countries by emphasizing East-West issues.

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The Soviet Union is committed to bilateralism in its relations with developing countries and steadfastly refuses to enter into the types of multilateral agreements called for in Third World demands. For example, Moscow has:

- Not signed the Common Fund.
- Not established a generalized system of trade preferences for developing countries.
- Declined to join any of the multilateral aid institutions.

The Soviet Union endorses the Third World's call for the NIEO but avoids participation in North-South negotiations that involve the transfer of wealth. Moscow uses forums such as UNCTAD and the UN Economic and Social Council to back the NIEO's assertion that Third World poverty is largely a result of colonialism and Western exploitation. It claims that as a noncolonial, socialist state, it bears no responsibility for the Third World's plight.

In our opinion, the developing countries have discounted the Soviet Union as a factor in the North-South dialogue. We believe they have done so partly because the Soviet Union is not a member of the three international economic institutions they want to change most—the IMF, the World Bank, and GATT. Furthermore, the Soviet refusal to engage in multilateral trade and aid negotiations is so firm that we believe the developing countries doubt they can ever change Soviet policy. In our judgment, the developing countries occasionally will criticize the Soviet Union for not helping them more, as they did at UNCTAD VI, but will continue to fix virtually all of their attention on the wealthy industrialized countries.

An International Financial Crisis: The Potential Wildcard

While we believe continued stalemate will mark North-South discussions this year, a dramatically different alternative scenario cannot be ruled out. The whole tenor of North-South relations could shift markedly in the event of a financial crisis induced either by the default of a major debtor or by a major shock to the world economy such as an oil price runup caused by interruption of Persian Gulf oil supplies.

We believe that some LDCs might think the Third World as a group has sufficient bargaining power to coerce the industrialized countries into making real concessions on the NIEO.

Following the 1973/74 oil price hikes, the LDCs believed that they could use OPEC's leverage and the West's concern about oil supply and price stability to secure the economic and political concessions included in the NIEO. The tactic failed principally because OPEC was neither willing nor able to use what leverage it had to help poorer Third World countries at the North-South bargaining table. We believe that, in the event of international financial crisis precipitated by a debt default or world oil shortage, some LDCs could try again to link the NIEO with their cooperation in managing the crisis.

Should a global financial crisis occur, some LDCs would try to convince the industrial countries that they need the cooperation of Third World debtors to contain the serious economic and political dislocations an international financial crisis would cause. Nicaragua and Ecuador, which have already proposed unified action on debt, could again raise that possibility in an attempt to link Third World debt directly to economic and political concessions. Although the major Third World debtors have repeatedly blocked proposals to create a debtors' cartel, the more radical Third World states may believe that the industrial powers would be willing to grant concessions in a crisis rather than risk even more uncertainty. We believe, however, the major debtors such as Mexico, Brazil, and Argentina, with a greater stake in the financial system, are unlikely to risk their national financial interests by supporting confrontational Third World tactics in the midst of a crisis.

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