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# The International Cocaine Industry: Production, Trafficking, and Prospects for Control

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**Interagency Intelligence Memorandum**

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# THE INTERNATIONAL COCAINE INDUSTRY: PRODUCTION, TRAFFICKING, AND PROSPECTS FOR CONTROL

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Information available as of 7 October 1987 was used in the preparation of this Memorandum

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# CONTENTS

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## SCOPE NOTE

This Interagency Intelligence Memorandum presents a comprehensive look at the international cocaine industry: its power and influence; its infrastructure; the dynamic factors that affect the location and development of cultivation and production centers and the trafficking routes; the efforts taken to control cocaine; the obstacles to such efforts; and the prospects for reducing cocaine supplies over the next two years. 25X1

The paper will look at the role of Colombia, Peru, and Bolivia in the cocaine industry and will explore the "spillover" of this trade into other South American countries. It will assess generally the types of drug control programs—including crop eradication, crop substitution, and interdiction—that South American countries have developed to counter the cocaine threat. 25X1

We will review the cocaine trade's far-reaching economic impact on South American governments as well as the political and practical constraints they face in building effective drug control programs. 25X1

Finally, this paper will deliver a prognosis on the fate of the cocaine industry over the near term. 25X1

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## KEY JUDGMENTS

The international cocaine industry is flourishing. Despite US-sponsored programs to reduce the cultivation, production, and trafficking of coca products from South America, the nonstop expansion of this industry continues. We estimate that in 1986: coca was cultivated at record levels of 140,000 to 170,000 hectares in Peru, Bolivia, Colombia, and Ecuador; South America had at least 170 metric tons of cocaine hydrochloride (cocaine HCl or simply "cocaine") available for export.

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Coca cultivation is expanding at a rapid rate and all indications point to a continued surplus of cocaine on the international market for the foreseeable future. Coca cultivation and processing are highly attractive to the South American farmer because coca sells for two to three times as much as legitimate cash crops. At every stage the profit margins in the cocaine industry are enormous.

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Colombian trafficking organizations dominate the international cocaine industry, even though only a relatively small percentage of the world's coca is grown in Colombia. Peru and Bolivia supply most of the coca paste and coca base that the Colombian organizations refine into cocaine and distribute to the international market. Because of its chemical properties, Colombian-grown coca yields less cocaine than either Peruvian or Bolivian coca. The Colombian organizations achieved dominance by pioneering the development of integrated production, refining, and distribution networks; they take advantage of their location, which gives them direct access to the shortest sea, air, and land routes to smuggle their products into the United States.

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Colombia's remote southeastern jungle region has been, since the early 1980s, the site of the world's primary processing center for multiton quantities of cocaine. In this region, isolated from government enforcement arms, traffickers have established sophisticated laboratory complexes that enjoy advantages of operational security and economies of scale that would not be possible in more populous areas.

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Bolivia is emerging as a second important center for refining cocaine and distributing it directly into the international market. This trend became evident in 1986 during the joint US-Bolivian Operation Blast Furnace which targeted Bolivian coca processing facilities for

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destruction. Although Bolivia continues to supply large quantities of coca products to Colombian traffickers, we believe the Bolivians also are building independent networks capable of refining and distributing cocaine to the United States and international markets. 25X1

Peru grows more than half of the world's supply of coca leaf, most of it in that country's Upper Huallaga River valley. This valley is the most important coca growing region in the world and also serves as a major trafficking point in the international cocaine pipeline. Like Bolivia, Peru continues to supply significant quantities of its coca products to Colombian traffickers for refining and distribution. However, there is evidence that Peruvian organizations also are attempting to develop their own cocaine refining laboratories and international distribution networks. 25X1

Colombian traffickers have developed an extensive underground financial network to launder the large sums of money received from the sale of cocaine. While other countries are involved in the movement of drug money, Panama is the principal transit point. 25X1

The international cocaine industry, though highly structured, is remarkably flexible. The major cocaine traffickers have developed increasingly efficient and resilient organizations for producing and getting their products to market. At the same time, law enforcement pressures, competition from independent operators, and the requirements of servicing a worldwide market has stimulated the evolution of trafficking "conglomerates." 25X1

Increased law enforcement pressures over the past few years in Colombia and rising demand for cocaine in consuming countries have caused significant expansion in international cocaine production and distribution—most notably, a spillover of the refining industry into other South American countries. 25X1

The presence of insurgent forces in many coca-producing areas complicates the narcotics control programs of Latin American countries, particularly Colombia and Peru. Some military leaders are reluctant to divert their limited resources from counterinsurgent operations; some are reluctant to expose the armed forces to the corrupting influence that can accompany involvement in narcotics enforcement. In Colombia, the government may feel constrained from conducting major counternarcotics operations in areas where the Colombian Revolutionary Armed Forces (FARC) are present for fear that FARC will use the operations as a pretext for declaring a total breakdown in the tenuous truce that has existed between the two sides. 25X1

Some insurgent groups exploit the narcotics trade within their territories for operational funds and other benefits; however, they do

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not appear to be generally involved in the highly profitable international distribution sector of the trade. While insurgent groups and major trafficking organizations share some common interests, the ultimate political goals of the insurgents are antithetic to the purely mercenary motives of the traffickers. Thus, although various insurgent groups and traffickers occasionally cooperate, they reportedly also clash.

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The traditional trafficking routes between South American suppliers and North American and European consumers continue to be through the Caribbean. In recent years, however, there has been a significant rise in the use of Mexico for transshipment of cocaine into the United States. Approximately one-third of the cocaine entering the United States during 1985 transited Mexico. Trafficking routes also have shifted to accommodate the growing international market. As European demand has grown, cocaine is more frequently shipped directly from Bolivia, Brazil, and Argentina.

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Although comprehensive drug control programs subsume a combination of enforcement, demand reduction, and economic development programs, most South American governments have concentrated their limited resources on cocaine interdiction. This is generally politically more palatable than cracking down on small-time coca growers and peasant farmers and safer than trying to dismantle the powerful trafficking networks that manage the cocaine trade.

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Manual eradication programs have proven only marginally effective against coca cultivation and are very costly to implement. An aerially applied herbicide would appear to be the ideal method for reducing coca cultivation. Although one potentially effective aerial herbicide has been developed, it is not yet available for commercial use because of political and environmental concerns.

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Crop substitution will not work in the coca-growing countries as long as coca remains so much more profitable than other crops.

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We judge that the situation in most cocaine-trafficking countries will continue to worsen in the near term. This deterioration may well provoke additional public and official pressure for significant counternarcotics action. Rising domestic drug abuse, violence, corruption, drug involvement by insurgents, and the growing power of major drug dealers have already demonstrated to some South American leaders that cocaine is no longer exclusively a foreign problem. Public opinion in some countries also seems to be shifting in favor of more controls.

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Some steps are being taken toward regional cooperation. If successful alliances against cocaine can be achieved among the key South American countries, it will lessen the options open to traffickers for

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expansion and evasion of enforcement activities. Traffickers' cross-border tactics, in particular their ability to flee areas of enforcement and operate elsewhere, could be stymied by the creation of more uniform international drug suppression mechanisms. Recently, South American leaders have begun to call for the internationalization of antinarcotics efforts. If these countries can overcome traditional rivalries and begin genuine cooperation, we believe a concerted regional South American antidrug effort with broad international backing would enhance existing national programs in the area.

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The prognosis for the next two years for US supply reduction programs to significantly decrease the success being enjoyed now by the international cocaine industry is grim. The most that realistically can be expected is that current programs will disrupt the trafficking, and increase costs and risks of doing business. Well-planned and long-term multinational programs offer the most potential for overall supply reduction success.

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# DISCUSSION

## Coca Cultivation in South America: On the Increase

1. The international cocaine industry is flourishing. We estimate that in 1986 coca leaf was cultivated on 140,000 to 170,000 hectares in Peru, Bolivia, Colombia, and Ecuador. Furthermore, coca growth is expanding at a rapid rate. By our estimate, South America had at least 170 metric tons of cocaine hydrochloride (cocaine HCl or simply "cocaine") available for export in 1986.[1] According to the latest estimate from the National Institute for Drug Abuse (NIDA), US consumption of cocaine now is approximately 72 metric tons, more than twice the estimated use in 1982.

2. The coca bush is incredibly hardy and resistant to currently available and politically acceptable herbicides. It has a lifespan of 20 years or more and some varieties can deliver a first harvest in as little as 12 months. Substitute crops such as citrus or coffee can take three years or more for the first harvest. (See inset on page 10.)

3. Illicit coca cultivation is highly profitable to the South American farmer, enabling him to earn many times the return he would get from legitimate cash crops. As many as one million persons may be directly dependent on coca cultivation in South America.

[1] Little hard data are available on the amount of cocaine annually produced from South America's coca growing areas. The National Narcotics Intelligence Consumers Committee (using a dry leaf yield per hectare of 1.4 tons for Bolivia, one ton for Peru, one ton for Ecuador, .8 ton for Colombia, and an average conversion rate of 500 kilograms of dry leaf equating to one kilogram of cocaine) calculates a total worldwide cocaine production capacity of 340 tons. This is the theoretical maximum cocaine output and assumes that all the leaf grown is converted into cocaine with high efficiency. It does not take into consideration local domestic consumption abroad of coca leaf and coca products; spoilage; inefficiencies in processing; and losses from interdiction. In Peru, leaf chewers consume thousands of tons. Traffickers there are known to use inefficient drying, storing, and processing techniques. We believe these losses may drain off up to two-thirds of Peru's annual cocaine production capacity. Much less coca is cultivated in Bolivia; but, because of higher leaf yields, smaller domestic consumption, and more efficient processing, a much higher percentage of Bolivia's leaf is converted into cocaine. In our judgment, Peru's cocaine output then is about 60 tons or more, Bolivia's some 80 tons, with the remainder of the world's supply accounted for by the smaller producers. (See figure 2.)

### Estimating Coca Crops

The characteristics of coca cultivation make it an ideal crop to estimate. Because it is a perennial with a life cycle of 10 to 20 years, estimates of cultivated coca hectarage, once obtained, may be reliable for years.

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### Coca Cultivation in Peru

4. Peru has emerged in the last decade as by far the world's leading producer of coca leaf, having more than twice as much hectarage in coca cultivation as Bolivia and Colombia combined. Peru's 1986 coca crop is estimated to have been 106,000 hectares. Extensive slash-and-burn activity was seen in 1986 in

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**Figure 1**
**Coca Cultivation**

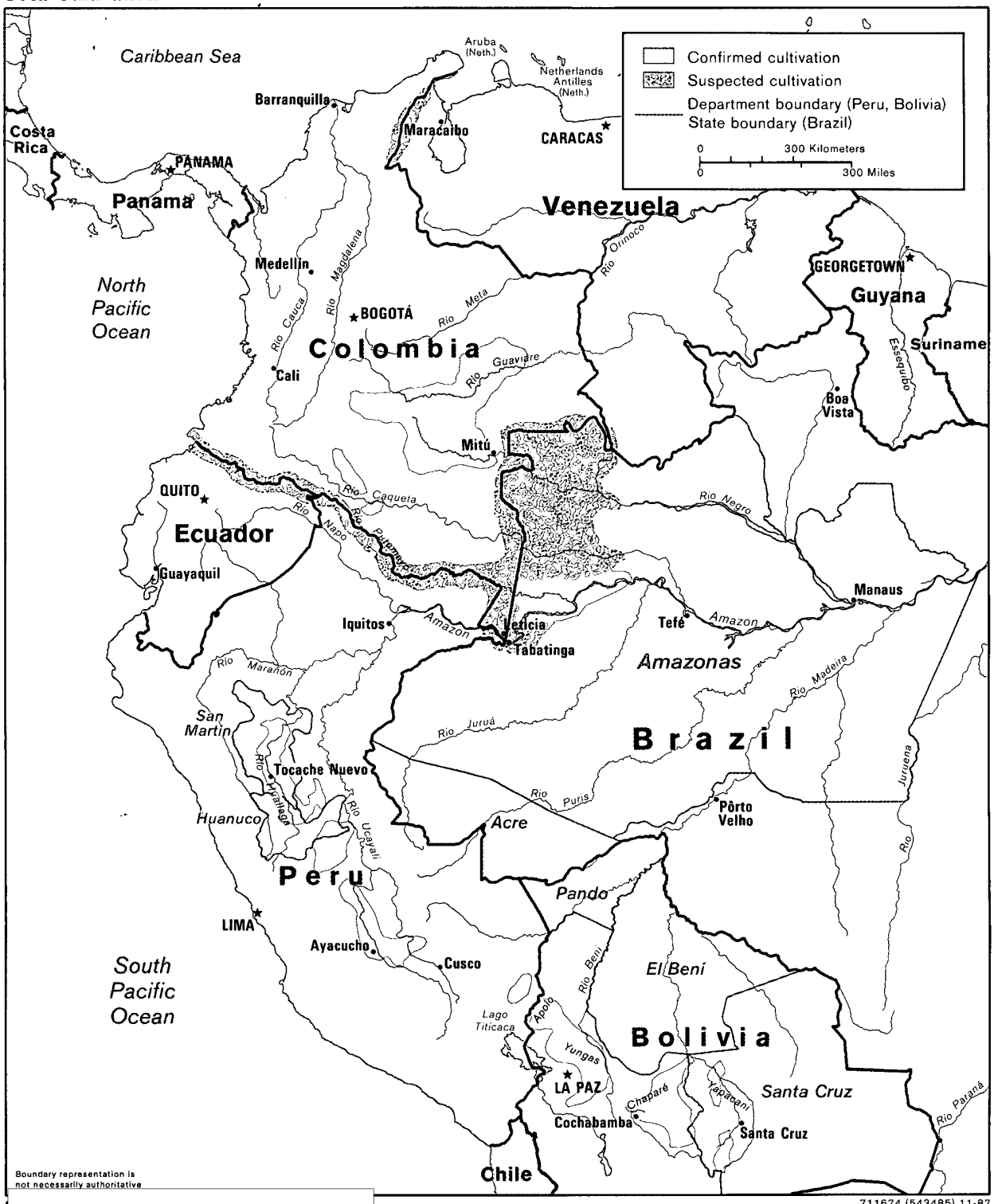


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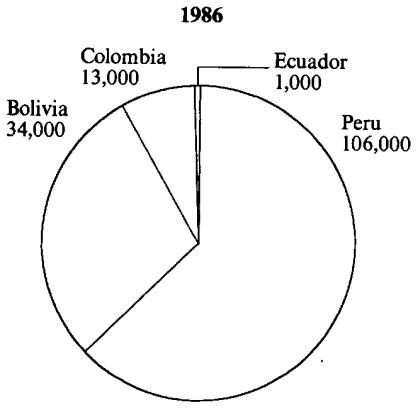
**Figure 2**
**Coca Leaf Cultivation by Country**

*Hectares*

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all four of Peru's major growing regions, which indicates that coca cultivation will probably expand in these same general areas. According to this year's estimate, about two-thirds of Peruvian coca is grown in the Huallaga River valley region in the Departments of Huanuco and San Martin. We judge that processing inefficiencies probably limit the amount of cocaine produced from the large Peruvian hectarage to about 60 metric tons a year. Peruvian traffickers are reportedly improving processing techniques, however, and therefore increased cocaine production in the future is probable.

### Coca Cultivation in Bolivia

5. We estimate that Bolivia has 32,000 to 38,000 hectares planted in coca. Our best estimate of cultivation is 34,250 hectares, with an estimated cocaine output of 80 metric tons. The Chapare region is Bolivia's largest coca producer, with an estimated 26,000 hectares under cultivation, or 75 percent of the total for Bolivia. The Yungas is the second-largest coca growing region in Bolivia with 95 percent of all cultivated land there devoted to coca. Coca fields in the Yungas are about half the size of those in Chapare. The Yungas used to be a major fruit and citrus supplier for Bolivia, but now only a few orange groves and banana trees remain. Two of the smaller regions are Apolo and Yapacani. Extensive slash-and-burn activity has been seen recently in Apolo, indicating that coca cultivation may significantly expand in this region in the future.

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### Coca Cultivation in Colombia

6. Although Colombian trafficking groups control much of the cocaine trade, they rely on growers in Peru and, to a lesser extent, Bolivia, to supply most of the coca paste and cocaine base they need for conversion to cocaine. The chemistry of Colombian coca leaves, when compared to coca grown in Peru or Bolivia, is such that much more coca is needed to obtain the same amount of cocaine that could be refined from leaf grown in Peru or Bolivia, assuming that the processing methods remain uniform. On the basis of a recently completed aerial survey of southeast Colombia, we believe that growers there will have some 20,000 hectares under cultivation by 1988.

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### Coca Cultivation in Other South American Countries

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7. Ecuador and Brazil have the potential to become important coca producers. Ecuador is estimated to have between 1,000 and 2,000 hectares of coca under cultivation, most of it along the Ecuadoran/Colombian border. Ecuadoran coca is a different variety than that grown in Colombia, Peru, and Bolivia. The average height of coca plants in Ecuador is 6 to 8 feet, with some plants as tall as 12 feet. Most coca plantations in Ecuador are believed to be owned and operated by Colombians who move freely across the border. As is the case in Bolivia and Peru, the bulk of Ecuador's coca leaf crop is converted to coca paste before it is transported to Colombia for conversion to cocaine hydrochloride.

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8. In Brazil, neither the US Embassy nor the Brazilian Department of Federal Police can offer a reliable estimate of the area under coca cultivation and to date there is no thorough coca crop assessment for the country as a whole.

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Collateral information indicates that coca in the Upper Amazon Basin is similar to the Ecuadoran variety, grown interspersed with trees.

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### Coca [a]

Coca is one of the oldest plants cultivated in South America. According to archaeological evidence it has been grown for at least 5 millenia by indians of the Andes and adjacent areas. These people still chew its leaves to reduce fatigue, hunger, and the effects of high altitude and use them to brew medicinal teas. Production for such local uses is legal in both Bolivia and Peru.

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The two major species of coca that contain the cocaine alkaloid can be grown over a very wide range of climates, limited apparently only by frost or near-desert conditions

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It is thought that only two species of coca (genus Erythroxylon) contain enough cocaine in their leaves to warrant cultivation: *E. coca* and *E. novogranatense*. The many American species are all shrubs or small trees. In the wild, coca is usually found growing below 1,000 meters in elevation, both in open thickets and in the forest understory. Cultivated varieties grow at elevations of at least 2,000 meters, sometimes to 2,500 meters. Coca species are widely distributed in both wet and dry tropical areas of South America.

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*E. coca*, also known as Bolivian coca, is grown in moist, tropical valleys on the eastern slopes of the Andes, mainly between elevations of 500 and 1,500 meters. It appears to be highly adaptive, as there are numerous variants—some do better in shade, others thrive on open ridges, and still others prefer low valleys. A generally tough plant, probably native to the area, *E. coca* seems to stay free of serious pests or diseases and can live more than 20 years. Its greatest vulnerability is that its seeds are viable for only a very short period and are highly susceptible to drying out; however, the plant can also be propagated from cuttings

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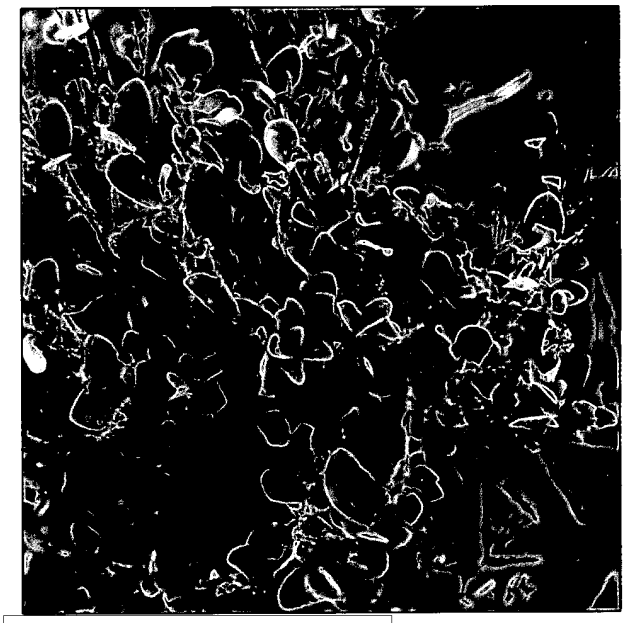
A variant of *E. coca*, called Amazon or *E. coca variety ipadu*, grows widely in the Amazon basin, in Brazil and Ecuador, and in the lower eastern areas of Colombia and Peru. Its leaves contain less cocaine and the plant is shorter-lived than Bolivian coca, but Amazon coca is usually propagated by cuttings and appears to grow very fast. It can be harvested as early as six months after planting and have its leaves picked frequently thereafter.

The second cultivated species, *E. novogranatense*, is also called Colombian coca. In pre-Colombian times was grown on the Caribbean coasts of both South and Central America. It also adapts easily to various environmental conditions and is highly resistant to drought. It can even survive in the subtropical conditions of Miami.

[a] Most of the above information is drawn from *Botanical Perspectives on Coca* by Timothy Plowman, Ph.D., Botany Department, Field Museum of Natural History, Chicago.

**Figure 3**
**Coca Bush**



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## Cocaine Production and Trafficking

### The Organization of the Industry

9. The huge and powerful international cocaine trade is dominated by Colombian organizations, whose astute manipulations of cultural norms, local political systems, and the media are abetted by the selective use of bribery, violence, and intimidation. The Colombian organizations also have the advantage of their location, which gives them direct access to the shortest sea, air, and land routes to smuggle their products into the United States through the Caribbean and Central America. The industry is highly structured and yet remarkably flexible. The major traffickers are developing increasingly efficient and resilient organizations for getting their products to market. At the same time, enforcement pressures, competition from independent operators, and the requirements of servicing a worldwide market have stimulated the evolution of trafficking "conglomerates."

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10. Major Colombian organizations have integrated growing, processing, transporting, and marketing into large vertical organizations held together by family ties. Beginning in the early 1970s major traffickers began to control the refining and distribution process,

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which eliminated profit taking by independent middlemen, provided better assurance of supply, more leverage in the market, and reduced financial risks. In the late 1970s they began to cultivate coca in the southeast region of Colombia. These large, integrated operations have been better able to utilize sophisticated communications, provide intelligence up and down the trafficking chain, and more effectively bribe or corrupt key officials. The heads of these large-scale, integrated organizations, by being aware of the dynamics of world markets and the scope of antinarcotics activities, are able to improve their business effectiveness.

### Profit Taking and Money Laundering in the Cocaine Industry

11. We estimate, on the basis of Drug Enforcement Administration's (DEA) figures, that gross receipts from Colombian sales of cocaine in the United States were between $6.8 and $8.5 billion as far back as 1983. The industry has grown significantly since then. To move contraband receipts from the United States to creditors and safehavens overseas, Colombian traffickers have developed an underground financial network. This network enables them to sidestep US laws requiring that large cash transactions be reported, and to evade the tangled and inconsistent domestic exchange controls in the Latin American countries that are the destinations for much of the drug money. This network extends from the United States through Central America to most of the northern-tier South American countries.

12. All available evidence indicates that Panama is the principal transit point for drug money moved out of the United States. The recent joint Drug Enforcement Administration–Panamanian undercover operation, known as Operation PISCES, temporarily disrupted money laundering activity in Panama but the long-term effects of this effort are unknown at this time. The current political instability in Panama reportedly is also disrupting money laundering activities. Nevertheless, the popularity of Panama as a receiving and disbursement center is likely to continue due to a number of factors:

— Panama provides stringent bank secrecy along with liberal incorporation laws that facilitate the establishment of shell accounts to disguise the true ownership of money.

— Panama is a major logistic crossroads for the drug trade from South America.

— Panama's extremely liberal exchange policy provides an ideal environment for money laundering in addition to Panama being a popular meeting place, recreational center, and safehaven for traffickers.

— Panama has no exchange controls, no import licenses, no taxes or subsidies on exchange transactions, and no limits on the exportation of currency.

— The US dollar is legal tender in Panama.

— Colombia and Panama have strong historical, social, and financial ties.

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13. Other countries are involved in the movement of drug money because of their positions as suppliers of cocaine and raw coca products, as suppliers of processing chemicals, or as transit states for drug-related materials. Peru and Bolivia, the major sources of coca paste and cocaine base, have received large amounts of US currency from the drug trade operating through their borders. Ecuador and Venezuela have received drug money primarily because they are trafficking conduits. Brazilian smugglers acquire US currency by supplying precursor chemicals not easily obtained on the open market because of increased governmental controls. Some Caribbean islands also attract drug money as a result of drug smuggling activities and, in some instances, because of banking laws that are conducive to money laundering operations.

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### Colombia—The Undisputed Cocaine Production Center

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14. Colombians are the world's foremost processors and traffickers of cocaine. The coca paste and cocaine base are smuggled into Colombia, usually on private aircraft, for refining into the final product—cocaine. For many years, most cocaine refining took place in small, clandestine laboratories in the major Colombian cities of Medellin, Cali, and Bogota under the direct supervision of trafficking families who had consolidated control of the trade.

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15. By the early 1980s Colombia's remote southeastern jungle emerged as the world's primary processing center for multiton quantities of cocaine. Unprecedented demand for the drug, primarily from the United States, caused producers to seek new ways to facilitate the vastly greater flows of both raw materials and finished product necessitated by an expanding market and to build sophisticated jungle laboratory complexes in southeast Colombia. The jungles offered

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**Figure 4**

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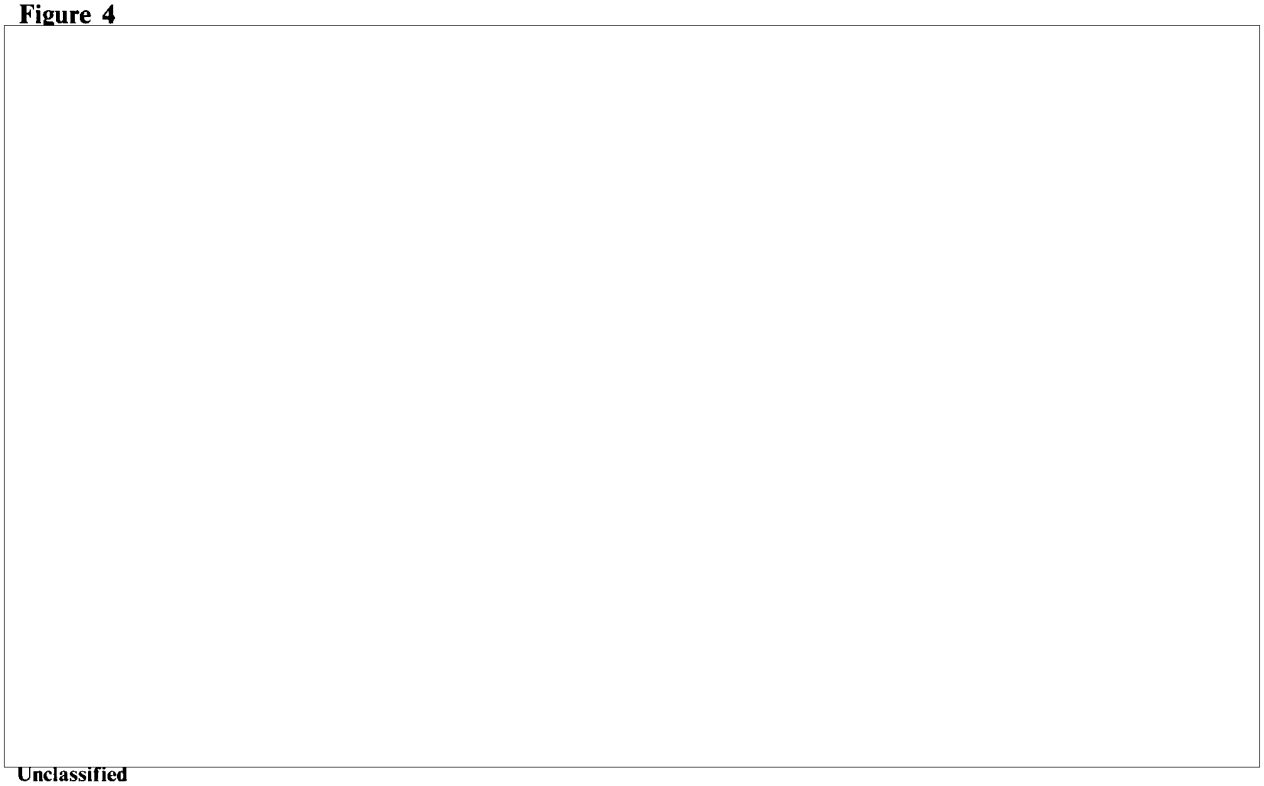

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operational security and economies of scale not available in the more populous areas of Colombia.

16. Government raids against the remote Colombian jungle production sites, beginning in early 1984, revealed for the first time how sophisticated the cocaine refining business had become in Colombia. Separate structures include laboratories, worker dormitories, and kitchens; they house processing chemicals and various equipment. Many of the larger complexes are equipped with gasoline-powered generators to provide electricity to run drying lamps, washing machines, and other laboratory apparatus. Earth-moving equipment, such as bulldozers and tractors, are often present on such sites to maintain the associated airstrip, often capable of supporting multiengine transport aircraft. Despite sporadic and largely unsuccessful local government attempts to shut down these cocaine refining centers, satellite imagery reveals that most of these complexes are still operating in southeastern Colombia.

17. In the late 1970s, coca cultivation in Colombia, once a small-scale enterprise, began expanding dramatically along isolated stretches of rivers in the southeastern jungles. This expansion continues today and probably is an attempt by Colombian groups to lessen their reliance on foreign coca paste supplies. Although Colombian-grown coca is reported to be lower in quality than Peruvian- or Bolivian-grown coca, it is more than sufficient to supply the demand for *basuco*—a cheap, semirefined form of cocaine marketed largely in South America—and probably supplements paste supplies for cocaine HCl operations as well.

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18. Traffickers can rely on the Colombian southeastern region's extensive aircraft-based transportation infrastructure to move intermediate coca products within Colombia.

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indicated that, by late 1985, traffickers had constructed over 50 dirt or sod airstrips near cocaine processing and staging points. Traffickers now can also distribute cocaine base from the approximately 100 airstrips associated with villages, ranches, farms, and missionary camps that are within the country's coca-growing region.

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### Bolivian and Peruvian Roles in Cocaine Production

19. Once primarily a supplier of intermediate coca products to Colombia, Bolivia has emerged as an important producer of refined cocaine hydrochloride. During the 1986 joint US/Bolivian Operation Blast

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Furnace (see inset), police raided 21 cocaine laboratories, which, in our view, represented only a small portion of Bolivia's refining capacity. Various sources indicate that there are a number of refineries in remote areas of the Beni, Pando, and Santa Cruz Departments of Bolivia. Wealthy and influential Bolivian traffickers have used profits from cocaine exports to build independent networks that, in many cases, oversee distribution of their product to the United States and other consumer markets. In addition, reporting suggests that Bolivians are expanding narcotics activity in southern regions of South America in search of new smuggling routes as well as supplies for refining operations.

20. As Bolivia has assumed more importance as a producer of finished cocaine, drug processing has become a highly organized activity. Whole communities in or near agricultural areas may be involved in producing coca paste as a cottage industry. Coca paste is taken to remote cocaine base and cocaine hydrochloride processing centers located in the largely undeveloped areas of northern and eastern Bolivia. Some major traffickers own, either outright or through fronts, large cattle ranches that serve as ideal sites for storing and processing large quantities of coca products, and for shipping drug cargoes destined for export. Most of these ranches have airstrips, and many are equipped with hangars and modern radio communications gear. The bulk of Bolivia's cocaine is shipped by air from Bolivia's nearly 1,700 airstrips, which are also used to support the country's legitimate industries.

21. Peru's Huallaga River valley, the largest coca growing region in the world, is the start of the cocaine production pipeline. Coca products are typically flown out of the region's numerous unregistered airstrips or few municipal airports to remote areas in Peru's northeastern jungles and to southeastern Colombia for further processing. The importance of northeastern Peru was underscored in mid-1985 when authorities discovered several well-equipped paste/base processing and staging complexes along the Colombian border that were capable of handling multiton quantities of the drug. Some coca products from Peru are carried out on the thousands of kilometers of navigable tributaries of the Amazon River. There are some indications that Peruvian drug organizations are attempting to expand from their traditional role as paste and base suppliers and move into the production of cocaine for the international market.

### Operation Blast Furnace

Operation Blast Furnace, a 1986 joint US-Bolivian narcotics interdiction operation, consisted of raids by Bolivian narcotics police on suspected drug facilities in remote areas of northern and eastern Bolivia. 25X1

During the 120-day operation (July to November 1986) joint counternarcotics forces raided 95 sites, found and destroyed 21 cocaine hydrochloride laboratories, and identified 24 jungle airstrips probably used as transshipment points for smuggling drugs to neighboring countries. Authorities reported that all of the laboratories were abandoned and, although there were no arrests nor significant drug seizures, a variety of equipment and chemicals used in processing coca into cocaine were confiscated. 25X1 25X1

Blast Furnace was partially successful at temporarily shutting down Bolivia's illicit cocaine processing and smuggling industry. Most reports indicate trafficking activity virtually stopped during Blast Furnace. Others say that traffickers continued drug transactions during the operation with some traffickers abandoning their laboratories only hours before the antinarcotics police arrived. There is some evidence that a number of small to medium-sized trafficking organizations in El Beni and Santa Cruz Departments stepped up drug sales during the operation, taking advantage of the vacuum created when many major traffickers cut back their activities until US troops departed. Some traffickers probably relied on stockpiles to fill orders and took special precautions—such as conducting business at night using only trusted contacts—to protect shipments. 25X1

By December 1986, cocaine refining activity in Bolivia was back to normal. At least 10 of the cocaine laboratories raided during Blast Furnace now have been rebuilt and are active, according to the Drug Enforcement Administration. 25X1 25X1

The most noticeable effect of the raids was the temporary but sharp drop in the market price for coca leaf in the Chapare region, where nearly three-fourths of the Bolivian coca crop is grown. Blast Furnace created a temporary coca leaf glut, because many traffickers ceased purchases during the operation. The Embassy reports that the price of coca leaves dropped to a record low of $10 per hundred pounds during the height of Blast Furnace raids, well below the $40 per hundred pounds estimated as the farmers' cost of production. The price rebounded, however, to nearly $150 per hundredweight at the conclusion of joint operations in mid-November 1986. Various reporting also suggests a similar drop and surge in prices in Bolivia for coca paste and base products and refined cocaine during the course of Operation Blast Furnace. 25X1 25X1

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### Spillover Countries—The Narcotics Challenge of the Future

22. Increased law enforcement pressures over the past few years in Colombia and the rising demand for cocaine in consuming countries have caused significant expansion in international cocaine production and distribution patterns—most notably, a spillover of the refining industry into other South American countries. The northern-tier countries of Venezuela and Ecuador have already experienced the "spillover" of narcotics activities from their traditional centers in Colombia. Venezuela has afforded excellent opportunities for Colombian traffickers seeking to expand and disperse their operations. Venezuela has remote jungle regions similar to those in southeastern Colombia as well as good commercial and transportation infrastructures. Police there have already discovered small-scale cocaine laboratories in several parts of the country. The western highlands are dissected by countless tributaries of the Orinoco River that extend into Colombian coca-growing regions, offering a transport route for coca products and processing chemicals to laboratory sites. The country is already a major transshipment point for processing chemicals en route to Colombian laboratories. Ecuador offers many of the same advantages to Colombian traffickers, who reportedly are stepping up operations there.

23. Argentina has emerged as a cocaine processing and transshipment site. The US Embassy in Buenos Aires has reported that Bolivian traffickers, concerned about potential suppression at home and seeking easier access to processing chemicals, have set up some drug processing facilities in the remote northwestern provinces of Argentina. It is reported that major cocaine smuggling organizations, based in Bolivia and Peru, have started using Argentina as a staging area for cocaine shipments en route to the United States and Europe. This suggests that these organizations may view Argentina as potentially more secure than other, more established routes. In addition, Argentina has a reputation for lenient sentencing and slight emphasis on narcotics enforcement.

24. Brazil is an important cocaine trafficking center. It is also significant in cocaine production because it is the major supplier of ether and acetone, vital precursor chemicals. An estimated 95 percent of the chemicals seized at Bolivian lab sites during Operation Blast Furnace were from Brazil. Brazil is also a significant transit country for Bolivian cocaine. Police drug enforcement operations in the past few years have shown that trafficking organizations operating in Brazil are growing more sophisticated.

25. We believe that Paraguay is emerging as an important transit point for the export of Bolivian cocaine. This August in Brussels, Belgium police seized 115 kilos of cocaine—the largest cocaine seizure ever in Europe. The cocaine was found onboard a *Lineas Aereas Paraguayas* (LAP) flight from Asuncion. Paraguay also plays a role in the movement of essential chemicals from Brazil and Argentina to Bolivia.

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### Trafficking Routes and Techniques

26. Until the 1980s, most South American cocaine exports were concealed in commercial air and sea shipments and smuggled directly from Colombia to major eastern ports in the United States. Traffickers still follow these practices to some extent but, as their markets have grown and interdiction efforts have expanded, they have increased the size of their shipments and relied more on their own fleets of aircraft and ships to circumvent enforcement efforts. More recently, however, a series of large cocaine seizures in the United States indicate that traffickers are again relying on the use of commercial vessel shipments to smuggle cocaine. As with cocaine processing and trafficking operations in the South American interior, drug export routes and methods are extremely varied and flexible.

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27. The principal trafficking routes between South American suppliers and North American and European consumers continue to be Caribbean routes. The geography of the islands makes the Caribbean a natural transit area for smugglers. The area's poor economy and its tradition of smuggling all forms of contraband facilitate the use of the region by drug traffickers. Until recent years, Jamaica and the Bahamas were the two main island groups used for smuggling cocaine into the southeastern United States. While the Bahamas and Jamaica are still the major transit areas, heightened law enforcement efforts in these countries have forced traffickers to find alternate routes such as the Cayman Islands, Haiti, the Dominican Republic, and the eastern Caribbean islands.

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28. In recent years, there has been a significant rise in the use of Mexico for transshipment of cocaine into the United States. Approximately one-third of the cocaine entering the United States during 1986 transited Mexico. The upsurge in the use of Mexico reflects not only efforts by Colombian traffickers to find additional routes for moving cocaine into the United States, but also the multidrug nature of Mexican trafficking organizations. Traffickers' use of Mexico as a narcotics conduit has proven to be relatively safe due

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to their established logistic systems and the widespread corruption and incompetence of Mexican officials. The vast majority of the cocaine entering Mexico arrives by short-range and long-range aircraft which use the over 2,000 airstrips and airports throughout the country.

29. Cocaine trafficking in several Central American countries has increased in recent years, and seizures are on the rise. The increasing use of Central America probably reflects an effort to funnel additional cocaine to US consumers.

30. Cocaine trafficking routes have also shifted to accommodate the growing international market. South American cocaine is shipped directly to almost all West European countries. Significant seizures in Europe have been made in West Germany, Italy, Spain, Belgium, France, and the Netherlands. Trafficking patterns also are affected by cocaine's rising popularity in South Africa, Australia, and Japan.

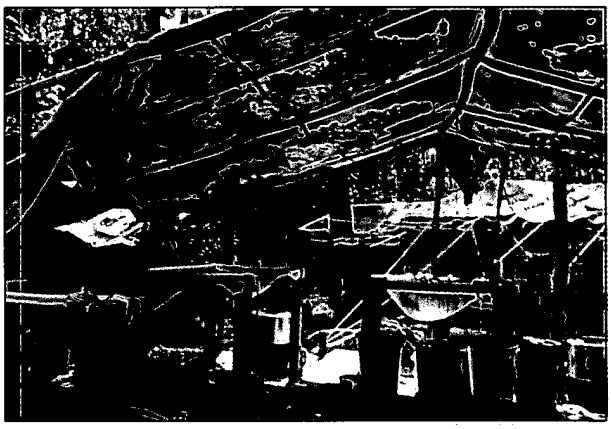
### Essential Chemicals—Lifeblood of the Cocaine Industry

31. The production of coca paste and cocaine base uses widely available, inexpensive chemicals such as gasoline, kerosene, and ammonia. The production of cocaine hydrochloride, however, requires acetone and ethyl ether, which are not readily available to the trafficker because of increased governmental controls around the world. Before Colombia imposed import restrictions in 1983, traffickers there obtained ether primarily from the United States and West Germany. Government controls in Colombia, coupled with a DEA-sponsored program to monitor major chemical manufacturers worldwide has driven up the price of illicitly obtained ether from Germany from $1,700 to nearly $8,000 a barrel. Traffickers have been forced to develop new sources of supply and new smuggling routes for their chemicals. Drug processors today obtain much of their ether from Brazil, the major manufacturer of this chemical in South America. In addition, there have been reports of clandestine ether production in Colombia. As for the movement and trafficking of these chemicals, several other countries including Paraguay, Argentina, Chile, Venezuela, Ecuador, and several countries in Central America are involved.

### Drug Control Efforts: An Uphill Battle

32. Although cocaine control efforts encompass a combination of eradication, interdiction, enforcement, and demand reduction programs, most South American governments have concentrated their limited resources on coca interdiction. This is politically more

**Figure 5**
**Coca Processing Laboratories**



*Filtering shed*

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*Drying shed*

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*Chemical storage shed*

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palatable than cracking down on small-time coca growers and peasant farmers and safer than trying to dismantle the powerful trafficking networks that manage the cocaine trade. Manual eradication programs have proven only marginally effective and are very costly to implement. Crop substitution will not work in the coca-growing countries as long as coca remains so much more profitable than other crops. Because of the limitations of these approaches, the use of aircraft-applied herbicides to eradicate coca crops would appear to be the best alternative. Unfortunately, however, because of political and environmental restraints on its use, there is no effective aerial herbicide available now to use against coca. (See inset.)

### Interdiction

33. Efforts to interdict stores or shipments of coca product are made to some extent in all producing countries. Bolivia, Peru, and Colombia all have implemented interdiction campaigns in their countries. Other countries with smaller cocaine problems (Brazil, Ecuador, Paraguay, Venezuela, and Argentina) have also made interdiction efforts.

34. The lack of government control over or even familiarity with their drug-producing areas impedes interdiction. Geography favors the traffickers, who have converted the various river, road, and trail networks into an intricate and often confusing maze. South American drug enforcement personnel cannot adequately cover all of the cultivation, production, and trafficking areas, and thus they tend to concentrate their efforts on transportation choke points or the major cultivation areas. Many personnel are susceptible to bribes from traffickers who are prepared to pay the drug enforcement officers many times their salaries for cooperation.

35. To date the largest interdiction effort undertaken in South America was Bolivia's Operation Blast Furnace, the joint US-Bolivian effort that extended from July to November 1986 and was, by our estimate, a moderate success. (See inset, page 13.) Other South American efforts include Operation Condor, a US-supported Peruvian police interdiction campaign centered on the northern Loreto Department; and Colombia's recurring efforts against cocaine HCl production centers in its southeastern region—South America's cocaine heartland. All the interdiction programs run so far have caused only short-term disruptions for the traffickers, who appear willing to suspend or relocate their operations temporarily and thus avoid serious and long-range business setbacks.

### Eradication

36. Colombia, Peru, Bolivia, Ecuador, Brazil, and recently Venezuela have coca eradication programs, but their achievements have been spotty. Extensive manpower resources are needed to pull the plant up. Until an environmentally safe, effective, and politically acceptable aerial herbicide is available for use on coca bushes, eradication efforts will be unable to keep pace with present rates of expansion in coca cultivation.

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37. Peru pulled up about 2,600 hectares of coca in 1986, out of 106,000 hectares total; this eradication was about half of the 1985 total. Bolivia had a 1986 elimination goal of 4,000 hectares of the 34,000 hectares estimated to be under cultivation; actual eradication in Bolivia was negligible. Colombian eradication efforts decreased sharply and accomplished little in 1986. Ecuador and Brazil conducted several minor eradication operations in 1986. Venezuela has just adopted an eradication program after recent confirmation of coca fields along its Colombian border.

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38. A range of factors limits the effectiveness of manual eradication. Many coca fields are inaccessible from major roads or other transportation routes. The large labor force required for direct application of herbicides or manual plant destruction is difficult to recruit because of the violence to which eradication personnel are exposed. Violence against local and foreign government officials and citizens who support eradication also deters effective implementation. In Colombia and Peru the situation is further complicated by ongoing insurgencies in coca-growing regions.

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39. To ensure effective eradication of a coca bush, the roots must be killed or dug up, but most operations merely cut the plant off at ground level or use herbicides that damage only the upper plant. Coca bushes sprayed with paraquat, for example, can still be harvested up to three days after spraying and will leaf out again in a few days. Effective eradication programs also depend on availability of chemicals that destroy coca bushes with little or no damage to the surrounding vegetation and environment. At the current pace of manual coca eradication, it will take over 50 years to destroy South America's coca bushes even without any expansion into new areas or greater crop density.

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### Crop Substitution

40. The expanding international cocaine market continues to keep the profitability of illicit coca far

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**Figure 6**
**Eradication by Hand**

above that of substitute crops, making crop substitution programs ineffective. Declining world market prices for potential alternative commercial crops, such as tea, bananas, cacao, corn, and citrus, make the problem worse. According to Department of Agriculture (USDA) officials, the failure of many crop substitution programs is also a function of the lack of developed markets for the alternative crops. Beyond this, coca's morphological properties enable it to grow in very poor soils, make it resistant to many diseases and pests, and allow it to adapt more readily to environmental conditions than most substitute crops. The USDA holds that well-drained soil and the absence of frost are the principal factors supporting coca growth; rainfall and soil characteristics are of secondary importance.

41. Coca substitution projects, aided by US funding, are currently under way in Bolivia and Peru. In Bolivia, the Chapare Regional Development Project is attempting to reduce coca cultivation by improving varieties and yields of indigenous crops such as citrus, yuca, corn, pineapple, and palm; a follow-up program will introduce nonindigenous crops, including coffee, cacao, rubber, and bamboo as coca substitutes. In Peru, officials of the Special Project for the Upper Huallaga (PEAH) are continuing efforts to establish alternative crops such as corn, soybeans, coffee, tea, and rice. United Nations–funded crop substitution programs for Colombia have recently been established. It is unrealistic, however, to expect crop substitution programs to make a real dent in the problem.

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### Herbicides and Coca

Since 1981, the Department of State's International Narcotics Bureau (INM), through its diverse country programs in the Andean region, has conducted extensive crop eradication tests using herbicides against coca. These tests have included a "cut and daub" technique whereby the coca shrub is cut off almost to ground level and the exposed stem is daubed with undiluted 2,4-D herbicide. Other tests included basal spraying techniques, which consist of applying a mixture of 2,4-D and diesel fuel from a back-pack sprayer around the coca shrub from ground level to approximately one foot above. INM has also conducted numerous tests using a wide assortment of herbicides and emulsifiers applied from back-pack sprayers.

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Back-pack spraying is highly labor intensive, and the workers are subject to the same dangers that manual eradication workers face. The ultimate solution is to use an aircraft (either fixed or rotary wing) to repeatedly apply herbicide to kill the plant or at least defoliate it before the leaves reach maturity. INM has identified an herbicide but legal problems with the United States manufacturer has delayed procurement. Consequently, further tests are in abeyance until the health issue is resolved.

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Thus far, only a small, experimental spray program has been undertaken in Colombia; it was conducted in a sub-tropical environment. We do not know the chemical action of the herbicide at higher altitudes. Colombian officials have stated they would be willing to resume aerial spraying and the Peruvians have indicated interest in testing an aerial spray. In Bolivia, however, the new law pending before the Bolivian congress, which would make most coca growing illegal, includes a ban on any spraying of coca.

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### Control of Chemicals

42. International controls on chemicals essential to the refining of cocaine have impeded traffickers somewhat, driving up the cost of doing business and forcing changes in their operations. Some of the chemicals (gasoline, kerosene, and ammonia) are so common that

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control is virtually impossible, but for certain other chemicals, the limited sources, the few legitimate applications, and the large volumes required make them vulnerable to government restrictions. A high consumption of acetone, for example, is difficult to justify except in limited and specific industrial applications. Ethyl ether—hydrochloride—has few licit uses outside the medical profession and the pharmaceutical industry.

43. The black-market price of critical chemicals remains high today despite: the development of illicit chemical processing locations inside and outside Colombia; alternate supply routes for chemicals through Brazil, Venezuela, Argentina, Ecuador, and Paraguay; and new sources in Mexico, Brazil, and Chile. Some countries, such as Brazil, have not committed sufficient funds to police the chemical trade effectively. Others, such as Paraguay, facilitate questionable chemical transactions for their own gain, according to a variety of sources. DEA sources indicate traffickers are taking steps to establish front organizations to justify chemical imports and increasingly are moving final processing operations to places where chemicals are more available—including the United States.

### Legal Reform

44. Even if a trafficker is caught in actual possession of drugs, it is almost impossible to obtain a conviction in most Latin American countries. The specific reasons vary among the different countries but there is one common area of concern: inadequate and ineffective antidrug laws. The enactment of new laws or major amendments to existing narcotics statutes is needed in all countries in Latin America; however, the prospects for passage of any legislation are tenuous at best. There are three areas in the law where legislation can help: asset seizure, conspiracy, and extradition of nationals to the United States. The seizure of assets belonging to drug traffickers that can be reasonably inferred to have been acquired with profits from their illegal activities would deal a serious blow to the traffickers' financial power. For the most part, only the instrumentalities of a crime such as laboratories, planes, cars, and weapons are subject to confiscation. Government authority to reach traffickers' assets would undermine the traffickers' wealth, as well as give the governments additional resources that could be used to combat drug trafficking.

45. The failure of most Latin American legal systems to recognize the crime of conspiracy severely limits law enforcement efforts to reach the heads of drug trafficking organizations; the crime of conspiracy in these countries is punishable solely in the context of an act to overthrow the government, and its potential use to attack criminal activities is not recognized. In addition, the use of a conspiracy statute to punish acts undertaken in preparation of a crime is unknown in Latin American civil law countries, where an overt act is generally required to establish the elements of crime.

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46. Permitting the extradition of nationals to the United States for trial is also a valuable tool against drug traffickers. Most Latin American countries, however, are prohibited, either by their constitutions or by the penal code, from extraditing their own nationals. In brief, although extradition would allow for greater cooperation between the United States and countries in Latin America, it would also increase the odds that traffickers would resort to violence and attempt the corruption of government officials to prevent it. The major advantages and disadvantages of allowing the extradition of nationals can be measured in Colombia, the one country that has allowed such extraditions to take place. It is ironic that one way to measure the success of the United States–Colombia extradition treaty is by the high level of drug trafficker violence directed against judges and government officials. Recent judicial developments in Colombia, which have effectively paralyzed the entire extradition mechanism, underline the attendant problems. Nevertheless, extradition to the United States remains one of the most powerful tools potentially available for use against traffickers.

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47. Any efforts at legal reform must also address the judiciary. Countries in Latin America follow the European civil law system rather than the English common law inherited by the United States. Under the civil law system, judges exercise tremendous power throughout the entire case from the investigative stage through the trial itself, which is decided exclusively by the judge without a jury. Despite the enormous power wielded by judges, they remain seriously underpaid and overworked and they lack public support and political power. Court delays are extensive because of mismanagement and the nature of the system itself. For example, under some systems in Latin America, a defendant remains in prison, even after a finding of not guilty, while the sentence is automatically appealed to the highest court, a process that takes, at a minimum, several years. This results in tremendous delays and provides an incentive, even for the innocent, to pay.

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### Other Recent Efforts

48. Other efforts to control the burgeoning cocaine industry overseas include a number of US-funded initiatives. In an effort to improve intelligence collection, aircraft equipped with infrared devices to spot laboratories have been used in Bolivia, Colombia, and Peru with some success. The US Government has increased funding for training programs for foreign personnel involved in antidrug programs. A new $5 million reward fund authorizes up to a $500,000 payment for information leading to the arrest of a major trafficker or the significant seizure of drugs. In an attempt to interdict drugs after they leave South America, funds have been increased for radars at the major points where drugs enter the United States: the Bahamas, the Caribbean, and the Mexican border.

## Obstacles To Control

49. Because the growing and chewing of coca leaf is an old local tradition, involvement in the coca industry does not raise among South Americans the ethical or social issues that influence US views of the narcotics trade. Moreover, although opinion may be shifting, the citizens of many cocaine-producing and trafficking countries still believe that illicit production is more beneficial than harmful to their national economies. Most producing and processing operations also occur in areas largely outside the control of central governments, and local agricultural populations benefit from the drug trade, making licit agriculture less attractive. Many small businessmen, from bankers to agricultural supply salesmen, also benefit from the prosperity brought by the illegal cocaine trade. Drug money buys protection from enforcement and prosecution, reducing the risks of involvement in an illegal trade and, at the same time, creating another group of people dependent on the drug trade.

### The Profits

50. The international trafficking of cocaine is one of the most profitable economic enterprises in the world today. In spite of the increased chemical and other production costs and record low US wholesale prices for cocaine, profits are still enormous. As little as $500 will purchase enough coca leaf from a peasant farmer in Peru or Bolivia to produce one kilogram (kg) of cocaine base, which can be sold for $1,000 to $1,800. After further processing, one kilogram of base yields about one kilogram of cocaine hydrochloride—worth $3,600 to $4,400 in Colombia and $17,000 to $22,000 wholesale in the United States. Profits are highest for those running the greatest risk—wholesalers and distributors, mostly Colombians.

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51. A variety of people benefit from the cocaine trade, not only the few at the top. US Customs officials report cocaine trafficking often involves large trade conspiracies that include exporters, freight forwarders, truckers, servicers, brokers, consignees, airline personnel, warehouse workers, and security personnel—each getting a cut. Corrupt officials all along the chain further expand the circle of drug-money beneficiaries. Describing their investigation of a smuggling operation using the Colombian flower trade as a cover, US Customs officers noted that organizers bought, intimidated, or coerced countless others into cooperation with the operation. In most cases, recruitment was simple because poorly paid laborers chose the added financial reward without regard to the legal consequences. A typical cargo handler in Colombia earning approximately $220 per month could supplement his monthly income with an additional $1,200 to $5,000 by handling flower boxes containing cocaine.

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52. The money available from the illegal cocaine trade allows all involved to enjoy an improved standard of living. The wealth of the leading cocaine entrepreneurs is most obvious because of their conspicuous consumption. Major traffickers in Medellin, Barranquilla, and Cali in Colombia, and Santa Cruz and Cochabamba in Bolivia, use their enormous profits to purchase lavish homes, ranches, apartments, vacation villas, luxury automobiles, airplanes, and yachts. Many also have extensive holdings in real estate and other investments in many countries. The benefits also trickle down. DEA country attaches report that many small laboratory operators and paste brokers also enjoy lifestyles considerably better than they could otherwise achieve. According to the US Agency for International Development, supplementing their income from coca allows farmers to continue growing essential but less profitable food crops.

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53. Some major traffickers are seen as Robin Hood figures by farm workers who also benefit from the trade. Reliable sources report that rural communities protect such kingpins from government drug enforcement measures. Even journalists receiving no known benefit from narcotics trafficking sometimes romanticize the successful trafficker as "astute, calculating . . . a special kind of person, who makes a game out of danger." This kind of romanticizing occurs less often now than in the past because of the increase in trafficker violence.

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54. The judicious use of some of their profits for political and media operations has enabled traffickers

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to undermine control programs and sometimes to prevent governments from taking appropriate actions. Traffickers in Bolivia are reportedly supplying coca growers with money and arms to sharpen resistance to drug-control measures. Narcotics money is also being quietly invested in legitimate businesses. Such tactics give drug elements significant power in the legitimate economy and can provide political leverage against government drug programs. We have reports that traffickers in Colombia have banded together to promise the government enormous sums of money to pay off the national debt in exchange for the avoidance of extradition and for the right to bring drug profits home to Colombia without penalty.

### Political and Practical Constraints

55. Governments face political and practical constraints in instituting vigorous drug control programs. Poor economic performance, challenges by leftist insurgents, and the perennial problem of staying in power in a volatile political environment compete for the attention of national leaders in the major coca growing and trafficking countries. Narcotics programs generally receive lower priority than any of these other issues. Leaders are hesitant to institute eradication programs that will eliminate the most lucrative crop, bring appeals for aid from already tight government budgets, and risk further alienating the disaffected rural population. At the same time, traffickers use their profits to undercut enforcement actions by corrupting or intimidating civilian and military officials.

56. According to assessments by US financial institutions and embassies, the illicit coca-producing countries face budget constraints that make it difficult to increase government expenditures for drug programs. In Peru, serious financial difficulties will continue to limit government antinarcotics efforts regardless of the intent of the Garcia administration. President Garcia's policy of applying at most 10 percent of export revenues toward the national debt service has caused the withdrawal of major resources in order to sustain basic government programs. Under these tight financial circumstances, most of Peru's budget will go toward countering worsening economic problems and increasing military expenditures to fight the insurgency threat. Narcotics programs in these countries rely heavily on US funds. Antinarcotics police forces remain inadequately armed and trained to carry out their function. Although we judge only a small fraction of the enormous revenues from the cocaine trade flows back to source countries, we suspect that what does return helps shelter some local and regional economies from the impact of economic depression. As a result, local officials are reluctant to crack down in depressed economic times. Peru, Bolivia, and Colombia lack the resources needed to cushion the economic and political impact in rural areas of a shutdown of the cocaine trade.

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57. Narcotics traffickers exploit these concerns. They know that drug suppression programs alienate the small-scale coca farmers. Where chewing coca leaf is part of the cultural heritage and its cultivation is either legal—as in Bolivia—or permitted under the theoretical control of a national monopoly—as in Peru—the political problems of suppression are compounded. In response to the new Bolivian antidrug law being proposed and the antinarcotics campaign in the Chapare region in mid-1987, the rural population, probably supported by traffickers, turned violent and accused government forces of "human rights violations, excesses and abuses." Getting on the bandwagon, leaders of Bolivia's powerful labor movement (representing more than 40 union organizations claiming more than 25,000 agricultural workers among their members) successfully forced the government to include coca growers in the planning phase of drug-control initiatives.

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58. Most South American countries depend on police forces to implement eradication and interdiction operations. These forces are poorly trained and equipped for their task, as compared with the military forces engaged in counterinsurgent and security operations. In Colombia and Peru, counterinsurgent operations generally take priority over military or police antinarcotics operations. Colombian military authorities have commented that the military mission, as they see it, is to pursue insurgents, not to waste resources fighting drugs. They argue that guerrillas would like nothing better than to see the military deeply involved in antinarcotics operations because it would reduce pressure on the insurgents. Reports from several other countries indicate that the military forces generally denigrate police units and their personnel and do not like working with them.

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### Corruption and Trafficker Violence

59. The extraordinary sums of money available to drug traffickers has led to extensive corruption extending from high government officials down to the local level that undercuts national counternarcotics programs in South America. Judges, cabinet ministers, chiefs of police, and other officials have succumbed to drug bribes. In the rural regions where most drug

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production occurs, special narcotics police are particular targets of traffickers. This pervasive drug corruption has contributed to a reluctance by some military leaders to take a more active role in the drug war because they know that their personnel are also susceptible to bribery. Among numerous examples of recent corruption, a variety of sources have reported the following: in Colombia, traffickers reportedly bribed the judge to cast the decisive vote declaring the extradition treaty unconstitutional; the Bolivian chief of military air transportation took payoffs from a major trafficker in exchange for the use of official aircraft to transport the trafficker's drugs to the United States and his profits back to Bolivia; rural mobile antidrug police in Bolivia and Peru routinely take bribes to facilitate trafficker shipments; and in Paraguay the minister of interior recently has been linked to drug trafficking.

60. Corruption and intimidation are particularly evident in the Latin American courtroom. Threatened or real violence, including multiple assassinations against judges and other high-level officials, has diminished their ranks and significantly reduced the effectiveness of the courts. The correlation between major drug enforcement initiatives and trafficker-sponsored violence against government officials is well-documented—for example, the assassination of Colombian Justice Minister Lara, the shooting of former Colombian Justice Minister Parejo in Hungary, and the campaign of violence designed to intimidate Colombia's Supreme Court. Trafficking organizations in some countries also are beginning to create strongholds—sometimes in concert with insurgents—protected by their own hired guns in regions that are out of reach of or ignored by central governments. Peruvian drug organizations now exercise virtual sovereignty over many towns in Peru's remote Huallaga Valley, and vast stretches of Colombia's southeast region are dominated by cocaine traffickers and the armed insurgents who tax and protect them. Trafficker strongholds bring with them an overall increase in criminal violence, fueled by competition for the immense profits associated with the drug trade. Traffickers are purchasing and using more lethal weapons; at Tocache Nuevo, in the Huallaga, traffickers destroyed an Air Force helicopter with a rifle-fired grenade. They also are using weapons more often and against a wider variety of targets. Occasionally, drug organizations fight one another in turf wars and for shares of the trade, and increasingly they are battling police and military units. Violence is also used routinely against local officials and citizens opposed to the drug trade.

61. The local press in these countries is filled with stories of the power of narcotics money to corrupt judicial officials and see to it that key witnesses and seized drugs disappear, traffickers vanish in transit between prison facilities, and entire case records are "lost." Preferential treatment of prisoners such as special food and permission to leave prison at night, is commonplace. A Peruvian newspaper described a "golden prison" where, on a judge's recommendation, incarcerated traffickers declared "ill" enjoy a hospital atmosphere, family visits, and conditions typical of a private clinic. In Bolivia, the press claims that most drug traffickers do not serve their full sentences, but rather leave prison with simple medical certificates in hand. Although such accounts undoubtedly cause a degree of public indignation, they also demonstrate to the public the strength of the major traffickers as they use their mightiest tool: corruption.

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### Insurgent-Trafficker Collusion

62. Government antinarcotics efforts in the coca- and cocaine-producing regions of Peru and Colombia are hampered by the presence of insurgent groups, some of which have ties to drug traffickers. Some degree of cooperation between Colombia's Revolutionary Armed Forces (FARC) and cocaine growers and producers in southeastern Colombia has been reported. According to several sources, the FARC receives revenue from the traffickers in return for protection of their laboratories and occasionally the FARC may cultivate and produce drugs on their own. Colombian antinarcotics police do not possess the firepower to confront armed FARC resistance and are reluctant to mount interdiction operations without the support of the military. In 1986, antidrug police suspended operations against cocaine labs and airstrips in the southeastern region of Colombia after FARC guerrillas fired on police patrols. Reportedly, President Virgilio Barco is reluctant to risk confrontations with the drug traffickers in these areas for fear that such attacks would threaten the three-year-old truce with the FARC.

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63. Limited information is also available on trafficker links to other groups. In July 1987 the National Liberation Army of Colombia (ELN) reportedly was responsible for an attack on Venezuelan troops conducting eradication operations near the Colombian border. The attack left several dead and wounded. Various sources have indicated that the 19th of April Movement (M-19) of Colombia has links to traffickers. In Peru, cooperation between cocaine producers and the Maoist Shining Path (SL) reportedly is limited and

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episodic. On the other hand, unconfirmed press reports indicate that SL and traffickers sometimes clash. In Bolivia, there is no confirmed evidence of the presence of any indigenous insurgent group at the present time. While insurgent groups and major trafficking organizations share some common interests, the ultimate political goals of the insurgents are antithetic to the purely mercenary motives of the traffickers.

### Cocaine's Economic Impact on Producing Countries

64. Cocaine money brings economic problems as well as benefits. Money returned to the producing countries is spent mainly for nationally nonproductive items such as real estate speculation and imported luxury goods, or for expansion of the illegal drug business. Earnings from narcotics can have a destabilizing effect on a national fiscal and monetary situation. Their contribution to inflationary pressures is the most generally acknowledged detriment, but erratic drug money influxes are also destabilizing to local exchange markets in those areas with minimum controls. In Colombia and Bolivia, clandestine narcodollar movements finance a pervasive underground economy that is completely outside government purview. One of the more insidious features of such illicit economic activity is the ease with which scarce capital can flee through underground banking channels.

## Prospects For Control

65. We anticipate that illegal cocaine trafficking in Colombia, Peru, Bolivia, and in some of the "spillover" countries will continue to expand. As trafficking grows, public and official indignation in these countries could escalate, leading to more serious attempts at narcotics control. Growing awareness and concern over domestic drug use, possible insurgent involvement, drug-related violence and corruption, and the political and economic influence of major traffickers could impel government authorities to more positive actions but, even so, major setbacks for the cocaine industry are unlikely in the near term.

66. Because drug trafficking is a cross-border, multinational operation, efforts at a regional approach offer the potential for a long-term payoff. Leaders of South America's major coca-producing countries and officials from newly affected areas publicly acknowledge the need for cooperation and multilateral initiatives on narcotics suppression, but bilateral mistrust still undercuts complete cooperation. Neighbors wrangle over longstanding border disputes, suspect one another's intelligence gathering objectives, and tend to doubt the sincerity of the antinarcotics commitments in adjacent countries. The internationalization of antinarcotics activity entails some risks, such as a tendency to evade individual responsibility or to duplicate bureaucratic structures unnecessarily; nevertheless, we detect signs that the relevant countries may be ready to do more than pay lipservice to a regional approach as the most effective way to fight the cocaine problem. On the bilateral front, Colombia and its neighbors are developing stronger antidrug ties. An agreement reached with Ecuador calls for increased cooperation, including the return of drug fugitives. A joint commission with Venezuela has met periodically at alternate sites along the border to discuss mutual drug problems. Brazilian police likewise have increased cooperation with Colombia; officials of the two countries have established procedures for interaction in the frontier area, and an acetone-ether control task force was created several years ago. A US-funded regional communications network was recently inaugurated to connect Andean police organizations.

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### Controls in the Spillover Countries

67. We believe that the greatest successes in counternarcotics efforts in Latin America can be achieved in the "spillover countries" where the illicit cocaine trade is just beginning to take hold. These include Brazil, Ecuador, Argentina, Venezuela, and Paraguay, all faced in varying degrees with a developing cocaine problem. Here trafficking organizations generally are smaller, less sophisticated, relatively unskilled in coopting local authorities, and therefore more vulnerable than their well-established counterparts in the major cocaine countries. Attacking the cocaine connection where it is still relatively weak fosters the development of a model for effective regional cooperation; it may even serve as a prototype for the large, cocaine-producing countries as well. Unfortunately, the forces arrayed against the traffickers in the "spillover countries" are seriously undermanned, underfunded, ill-equipped, and untrained in countering drug trafficking. An encouraging indicator, however, is the expressed willingness of the governments to implement preemptive antidrug campaigns. In fact, among the newly affected areas only Paraguay is a conspicuous holdout.

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### The Resource Problem

68. The lack of resources remains a problem for countries committed to the fight against drugs. Broader internationalization of the anticocaine campaign

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would help on this score. South American countries on the whole are poor nations. National budgeting is often focused on domestic aid to the poor and unemployed. Money for counternarcotics is often low on the priority list. Narcotics assistance programs extended to these countries, including those sponsored by the United States, must be keyed to the political and economic realities of each nation. The US experience to date in these countries suggests that single dimension programing—such as eradication alone—will not suffice.

### Recognizing Local Drug Abuse

69. Perhaps the greatest prospect for long-range cocaine control lies in the growing antidrug sentiment abroad. Before effective narcotics control measures can be sustained there has to be local public support for them. There are some signs that Latin Americans now recognize illegal cocaine production and trafficking as a national problem. In a recent US Information Service public opinion survey, urban populations in Bolivia, Colombia, and Venezuela selected international narcotics as the second most important international problem, after foreign debt. This is just a beginning, however, and getting the rural populations to agree is another matter.

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### Conclusion

70. All factors considered, the prognosis for the next two years for US supply reduction programs to deliver a significant decrement to the success being enjoyed now by the international cocaine industry is grim. The most that realistically can be expected is that current programs will cause the traffickers disruption, increased costs, and increased risks in doing business. Planned long-term multinational programs offer the most potential for overall supply reduction success.

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