

RELEASED IN FULL  
UNCLASSIFIED

Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996

ER9A

• **The U.S. continues to reduce the domestic demand for illegal drugs.**

We are not content with this situation, nor will our Government tolerate its continuation. We are in fact absolutely committed to reducing drug use and its disastrous consequences in our nation. Let me offer a few indicators of that commitment. Each year our Federal, state, and local governments spend more than a combined \$30 billion dollars on multifaceted counterdrug programs. Today, more than one and a half million Americans are incarcerated, many of them for drug law violations. No other nation in the world has a higher incarceration rate. Clearly we are upholding our domestic laws.

This sustained commitment has already made an enormous difference. In the past fifteen years, we have reduced the number of illicit drug users by fifty percent. The number of cocaine users has dropped from six million to one point four million. Drug-related homicides are down by twenty five percent. Ninety percent of our largest companies have effective drug-free workplace programs. Our towns and cities have formed more than 3,500 community anti-drug coalitions; the one in Miami has reduced drug use by fifty percent.

• **Drugs are a shared problem that must be addressed by all nations.**

Yet we recognize that our domestic efforts cannot by themselves address what is fundamentally a global problem that is exacerbated by the involvement of powerful international criminal organizations. All of our countries are affected by the drug problem, but not necessarily in similar ways. For some, the most pressing issue is drug consumption. For others it may be drug-related violence and corruption. Some countries are affected by illicit production or trafficking. Some countries are beset by all of these problems. No country is immune. One hundred percent of the cocaine produced in the world comes from South America. The purveyors of this poison are developing new markets in East Europe, Asia, and the states of the former Soviet union. Sixty percent of the U.S. heroin market comes from Burma. There are millions of addicts around the globe. About two percent of the world's heroin and opiate addicts are from the U.S.. Tens of billions of dollars flow illegally through international financial systems as a result of this illicit trade. We know that only with the full cooperation of major drug producing and major drug transit countries can we successfully confront this international criminal conspiracy.

UNCLASSIFIED

Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996

• **Our Latin American partners are mostly standing up against drug production and trafficking.**

Over the past years, countries in the Western Hemisphere have made strong efforts to curtail production of illicit drugs, their trafficking, and the laundering of drug moneys. Brazil has drafted key money laundering legislation and passed comprehensive legislation on regulation of precursor chemicals. No other nation in the world has eradicated as many hectares of illegal drugs as has Mexico. The recent U.S. - Mexico agreement to improve existing bilateral mechanisms for addressing our common problem bodes well for the health of our peoples and our ability to prevent foreign criminals from operating on our sovereign territories. The Government of Panama has been a key supporting player in an increasingly sophisticated and effective regional effort to disrupt drug trafficking patterns within South America and of international anti-money laundering initiatives. Our interdiction efforts in the so-called "transit zone" have been enhanced by the eighteen bilateral cooperative agreements we have with Jamaica, the Dominican Republic, and other island-states of the Caribbean. And in Colombia, Attorney General Valdivieso, Foreign Minister Mejia, Army Commander General Bedoya, and National Police Director General Serrano continue to vigorously oppose narcoguerrillas who are attacking the very institutions of democracy.

• **The Peruvian record of counterdrug cooperation is notable.**

Peru's counterdrug cooperation under the strong leadership of President Alberto Fujimori has also been superb. Some examples of that cooperation include:

- Establishment of a chemical regulatory system featuring the participation of the Ministry of Industry (licensing and regulation of licit manufacture, import, sale and use), National police Anti-Drug Directorate (DIRANDRO, responsible for countering diversion and illicit trafficking), and the Customs Service (international commercial points of entry). This system is assessed by our DEA as one of the most advanced in South America.
- The 1994 GOP National Plan for Drug Prevention and Control, considered by UNDCP as one of the best in the region. Its goal is the reduction and ultimate elimination of coca destined for illicit drug production, with an objective of reducing the farming population economically dependent on coca by half during the plan's life (1995-2000).
- Approval of Drug Law 824 on April 24, 1996 establishing the National Drug Policy Planning and Coordination Institution known as CONTRADROGAS.

UNCLASSIFIED

**Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996**

- Continued destruction of coca seedbeds and "young coca." As of September 1st, the Government of Peru has manually eradicated 52,136 square meters (equivalent to 3,477 hectares) of coca seedbeds (almacigos). At the beginning of 1996, the GOP began an important new activity, the manual eradication of "young coca" (less than two years old). Over the last few months, the GOP has ceased eradicating seedbeds in favor of the more important destruction of young coca until more eradicators are available for both activities.
- The funding of alternative development projects to reduce coca cultivation in the Apurimac Valley, and U.S funded projects in the Upper and Central Huallaga, ~~Aguytia, Pachitea, and Apurimac valleys.~~
- Increased coca seizures. Coca leaf seizures in the first eight months of 1996 totaled 52,708 kilos, more than double last year's seizures over the same period. Cocaine base seizures in the same period were 12,731 kilos, almost tripling the 1995 performance.
- Perhaps the most notable initiative against illicit trafficking has been the Peruvian Air Force (FAP) interdiction of drug exports by air to Colombia. FAP A-37B and T-27 Tucano aircraft have intercepted numerous aircraft operating illegally that were carrying narcotics and/or cash proceeds from narcotics transactions. Over 23 narcotics aircraft were force down, seized and/or destroyed in 1995. As a result, narcotics-related flights decreased by 47 percent compared to 1994. This year, only five aircraft have been interdicted in 1996. Interdictions are less frequent because far fewer narcotics aircraft now enter Peruvian airspace due to Peru's aggressive defense of its sovereignty.

The USG-supported FAP air interdiction campaign has fundamentally affected the economics of the drug trade. Prices paid by trafficking organizations to farmers for cocaine base fell to record low levels last year, resulting in pleas for alternative development aid in some areas. This sharp price reduction also reportedly led significant numbers of coca farmers (33 to 50 percent of growers in most affected areas, according to some reports) to forego harvesting in the second half of the year.

Peru has also made cocaine abuse and the quality of drug education and treatment matters of public concern. Indeed, a Center for Information and Education Against the Abuse of Drugs (CEDRO) survey last year found that 52 percent of the Peruvian population recognized drugs as one of the country's major problems. Abuse of some form of processed cocaine is a significant problem. Abuse of inhalants by young people,

UNCLASSIFIED

Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996

especially street children, is also a major concern. The incorporation of Education Ministry drug awareness material in secondary school curricula is an important prevention program. USAID is proud to support this program. The Education Ministry's Technical Committee on Drug Abuse Prevention (COPUID) has been a visible policy advocate for drug awareness and prevention programs.

• ..... but there are areas of concern that we are addressing jointly.

There are, however, some areas of concern that should be mentioned.

- Peru's 115,300 hectares of coca estimated by the USG annual crop survey in 1995 is nearly 60 percent of the world total, and provides raw material for about 80 percent of all cocaine consumed in the U.S.. This is an increase of six percent over the 1994 coca cultivation estimate.
- In 1995 there was evidence of more processing of cocaine hydrochloride in Peru for direct export to Mexico or other destinations, bypassing the historical Colombia connection.
- Though international money laundering in Peru is not significant, deregulation and full convertibility of the Sol combined with largely unregulated exchange houses make it relatively simple to repatriate drug-related and other illegally generated monies.
- The GOP drug crop eradication program has targeted coca seedbeds and, more recently "young coca." It has yet to address mature coca plants.
- Corruption, exacerbated by inadequate salaries, remains an impediment to drug law enforcement.
- Small seizures of opium latex and the discovery and destruction of small experimental plots of poppies and seed cultivations suggest that opium poppy cultivation is nascent.

Given, Peru's demonstrated willingness to curtail drug production and trafficking and to cooperate with international drug enforcement efforts, the U.S. Government remains committed to providing resources, materiel, information and training to the Government of Peru to support its efforts to attain the stated objectives of its ambitious anti-drug programs. We admire the patriotism and courage with which Peru has stood up to these terrible threats to your democratic institutions and, indeed, your very sovereignty.

UNCLASSIFIED

UNCLASSIFIED

Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996

• **More international cooperation is needed.**

As President Clinton's March 1st certification report suggests, we have not been able to count on the full cooperation of all nations in addressing this problem. Illicit opium poppy cultivation increased eleven percent globally from 1994 to 1995, doubling in one country since 1992. Our DEA estimates that Colombia was the source of 60 percent of the heroin seized in the United States last year. Ten years ago, there was no opium growing in Colombia. Many valiant Colombians have died fighting the drug trade. Nevertheless, the narcotics trade has gained an unprecedented foothold in Colombia, undermining much of the progress that Colombia's most motivated public servants could have hoped to have made. Other source country governments have also failed to adequately support the efforts of their own law enforcement entities to combat the destructive effects of narcotics production and trafficking and to curtail the trafficking activities of their own citizens. Still others allow the illegal proceeds of the drug business to pass through their financial institutions.

Clearly, it is time for all responsible governments to understand the world community cannot allow international criminal organizations a foothold in their country. The meeting in April in Vienna of the UN Commission on Narcotic Drugs and the ECOSOC Conference at the UN Headquarters in New York last June both underscored the international consensus for cooperation that will: limit money laundering; control precursor chemicals; result in actions against institutions or companies facilitating the drug trade; develop procedures for boarding vessels suspected of carrying illegal drugs; and reduce demand for these substances.

• **The U.S. commitment to supporting counterdrug efforts is firm.**

The United States Government is absolutely committed to helping all nations achieve full compliance with the goals and objectives set forth by the UN in its 1988 Convention. We will share information with our partners. We are prepared to assist in institution-building so that judiciaries, legislatures, and law enforcement agencies can successfully counter international traffickers. The very magnitude of the drug profits that filter through international financial institutions makes them conspicuous by their size. This means that they are difficult to conceal from attentive bankers and governments. No banker or financial institutions should make the mistake of believing that they can camouflage laundered money. The U.S. Government will continue to work to develop means of identifying and seizing illegal drug proceeds as they pass through banking systems. We will support regional and sub-regional efforts to address these problems.

UNCLASSIFIED

UNCLASSIFIED

Remarks by ONDCP Director Barry McCaffrey  
International Peruvian-American Chamber of Commerce  
Lima, Peru, Thursday 24 October, 1996

**• Our 1996 National Drug Control Strategy constitutes a balanced approach.**

The United States has long understood that it has been one of the largest markets for illegal drugs. We have over the past fifteen years made enormous progress in reducing the scope of the problem and the number of consumers within our own nation. We are confident that we can substantially reduce the number of drug users in our country and the resulting demand for these illegal substances. We are concerned about the resurgence of heroin and methamphetamine and increased use of drugs by our youth.

We will continue to address these problems through the balanced 1996 U.S. National Drug Control Strategy you have been provided. Our first priority is to set our own house in order. To that end, one third of the U.S. budget -- \$5 billion -- is for demand reduction programs. Fifty-five percent -- \$8.3 billion -- is for domestic law enforcement. The largest percentage increase of any program in our 1996 Strategy is for support of international programs -- twenty five percent.

Our continued success in reducing domestic demand does not necessarily guarantee success for other countries. To date, declining levels of drug usage in the United States have not resulted in reduced production or trafficking elsewhere. In fact, the inverse is true. While U.S. demand has been going down, global production has increased. The lesson is clear. Effective demand reduction programs must be complemented by effective supply reduction programs.

None of us can be satisfied with the current situation. Despite unparalleled commitment by most in our community of nations, the problem is growing worse. We must cooperate to develop effective international responses to a major threat to our youth and our health.

The United States and Peru have a rich and a long history of cooperation and friendship. We stand together confidently at the dawn of a new century. Clearly, our two nations share a continuing belief that this terrible menace of illegal drugs requires patient and respectful cooperation between our two democratic systems to protect our children and our integrity. You should remember that I personally pledge my support, cooperation, and friendship for Peru.

UNCLASSIFIED