

Testimony of John P. Walters
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Before the House Committee on International Relations
Subcommittee on the Western Hemisphere
"Overview of U.S. Policy toward the Western Hemisphere"
February 27, 2003

Chairman Ballenger, Ranking Member Menendez, and distinguished Committee Members, it is a pleasure to appear before you and provide an overview of the threat which drug trafficking poses to the Western Hemisphere and to discuss the counternarcotics efforts of the United States and our Western Hemisphere partners. We will also review the certification process and the deficiencies that led to the decertification of Guatemala and Haiti. Thank you for your strong and steadfast support for the fight against drugs, the social destruction they engender, and the terrorism they subsidize.

We believe that this year we have an unprecedented opportunity, in cooperation with our Western Hemisphere neighbors, to cause a long-term reduction in the supply of illegal drugs. Our optimism is based on the strong anti-drug positions taken by the leadership of our partners in the region, including our key allies in Colombia and Mexico. There is a broadening consensus among many nations in the hemisphere that illegal drug production inevitably leads to poverty, corruption, and violence, and that no country is better off with drugs than without them. Perhaps more importantly, leaders in this hemisphere are acutely aware that terrorism is the greatest current threat to national security and stability. They understand that drug trafficking finances both terror and the corruption that undermines democratic institutions.

The linkage between terrorists and the drug trade is most evident in Colombia, where FARC terrorists fighting for control of a drug transit corridor near the town of Bojayá killed more than 114 last May, including 45 children, who has taken refuge in a local church. More recently, a terrorist bomb in Bogota's El Nogal social club killed 35. The list of FARC abuses is a long one: they force child soldiers into service; they trick unwitting civilians into becoming human car bombs; and they kidnap thousands each year and summarily execute Colombian and foreign nationals—as in the recent killing and hostage taking after an American and Colombian-crewed plane crashed in an area of heavy FARC activity.

With the election of President Alvaro Uribe, Colombia has accelerated implementation of its drug control program, eradicating record levels of coca and moving aggressively in several areas to weaken criminal and terrorist organizations, reestablish the rule of law in war-torn regions, and protect the rights and security of Colombian citizens. Significant drug control gains in Colombia will require—and President Uribe has committed to pursuing—restoration of the rule of law to areas that are currently terrorist-controlled and used to cultivate and produce illegal drugs.

In Mexico, President Fox has both strengthened law enforcement cooperation with the United States and begun the process of reforming dysfunctional and sometimes corrupt institutions. He has arrested thousands of traffickers during the past two

years alone, and has reconstructed entire police organizations to provide reliable forces to implement his administration's goals.

The Drug Threat and the President's Counter-Drug Objectives

The threat of illegal drugs to the United States remains high, although we have made some progress in reducing the number of users, and the most recent surveys show a significant drop in the key population of young users. There is encouraging news from Colombia and Mexico, the two key drug producing and transit countries in the hemisphere. The news from Canada is less positive; stronger actions are needed to stem the flow of high-potency marijuana, and to reduce the traffic in pseudoephedrine, a key precursor chemical for methamphetamine. During 2002, two Western Hemisphere countries, Haiti and Guatemala, were listed as having "failed demonstrably" to meet their obligations under international counternarcotics agreements.

The drug trade imposes more than \$50 billion annually in direct costs to the United States, and is responsible for almost 20,000 drug-induced deaths a year. Aside from its social consequences, the illegal drug trade fuels violence, terrorism, and corruption abroad, and contributes to the destabilization of democratic governments and their economies. For example, drug production and trafficking provides \$150–\$300 million per year to illegal terrorist groups in Colombia. These terrorists pose a particular threat to stability in Colombia and the entire Andean region.

The President's goals in addressing this threat are to reduce U.S. drug consumption by 10 percent in two years and by 25 percent over five years. Our strategy is to achieve these goals through prevention, treatment, and disrupting the market.

National Drug Control Strategy

Demand Reduction

To reduce the demand for drugs, we must stop our children from starting drug use in the first place and we must provide treatment to get current users off drugs. Our budgets for prevention and treatment have risen significantly and exceed by a large margin what we spend on international supply reduction.

Recent data from the University of Michigan's *Monitoring the Future* survey show the first significant downturn in youth drug use in nearly a decade, with reductions noted among 8th, 10th, and 12th graders. Unfortunately, despite a substantial investment in drug prevention efforts, some six million Americans meet the clinical criteria for needing drug treatment, and the overwhelming majority of these users fail to acknowledge their need for treatment. Recognizing this problem, President Bush announced his treatment initiative that requests \$600 million in new spending over three years to provide drug treatment to individuals otherwise unable to obtain access to services.

Market Disruption

Another key objective of the President's National Drug Control Strategy is to reduce the supply of illegal drugs in the United States, making drugs less available and more expensive. We know that when drugs are less available, fewer young people will begin using them. We thus approach supply reduction as a problem in disrupting and destroying the drug market.

That market is profitable, to be sure (though less profitable than often assumed), but it faces numerous and often overlooked obstacles that may be used as pressure points. To view the drug trade as a market is to recognize both the challenges involved and the hopeful lessons of our recent experience: that the drug trade is not an unstoppable force of nature but a profit-making enterprise where costs and rewards exist in an equilibrium that can be disrupted. Every action that makes the drug trade more costly and less profitable is a step toward "breaking" that market. Once the drug trade is seen as a type—admittedly, a special type—of business enterprise, the next step is to examine the way the business operates and locate vulnerabilities in specific market sectors and activities that can then be attacked, both abroad and here at home. Such sectors and activities include the drug trade's agricultural sources, management structure, processing and transportation systems, financing, and organizational decisionmaking. Each represents an activity that must be performed for the market to function.

Our plan is to identify and attack areas of vulnerability—to make drug production, for example, a high-risk enterprise for farmers that provides less income; to make it clear to major criminals and transporters that they are more likely to be arrested, incarcerated, and denied profits; and to increase the cost of seizures, security, money laundering, loading and unloading, bribery, and the other expenses involved in the criminal enterprise to make it less attractive to those who supply illegal drugs to American consumers.

The key vulnerabilities of the cocaine industry are the cultivation phase (attacked through coca eradication), elements of the transportation network (attacked through interdiction, seizures, and arrests) and the major trafficking organizations (attacked through arrests, extraditions, prosecutions, seizures, forfeitures, and revenue denial). The heroin and marijuana industries have similar transit and organizational vulnerabilities, but are less vulnerable than cocaine during the cultivation phase.

Synthetic drugs produced in this hemisphere by U.S. and Mexican trafficking organizations, with the help of precursor chemicals from Canada and other countries, present a different set of challenges best addressed by law enforcement processes. Our programs draw on the Department of Justice's efforts to strengthen the criminal justice system through ongoing training and technical support to the prosecutors and police investigators, and through the development of specialized task force units of police, prosecutors, and technical support in Human Rights, Anti-Corruption, Narcotics, and Money Laundering/Asset Forfeiture areas.

The Department of Justice has established the Bilateral Case Initiative, supported by a new enforcement group at DEA, the Bilateral Case Initiative Group, which develops significant international narcotics and money laundering cases for prosecution in the United States. These investigations are conducted almost entirely outside of the United States, rely on evidence derived through foreign police agencies and U.S. law enforcement agencies overseas, and typically involve extraterritorial application of U.S. drug and maritime law.

They aim to dismantle the large organizations which threaten U.S. security, either by supplying vast amounts of controlled substances to domestic trafficking groups, or because of terrorism concerns. For example, this group has led the effort to file indictments against groups that use narcotics trafficking to fund their terrorist objectives, such as elements of the Colombia-based FARC and AUC, both of which are Designated Foreign Terrorist Organizations.

Our market disruption strategy relies on a high degree of cooperation from our allies in the region where illegal drugs either originate, are processed, or transit en route to markets in the United States. The certification process, in turn, is one way to assess that cooperation.

Certification. On January 31, 2003, President Bush sent to Congress his annual report listing the major illicit drug producing and drug-transit countries (known as the "majors list"). In the same report, he provided his determinations as to which of these countries had "failed demonstrably to make substantial efforts" during the previous 12 months to adhere to international counternarcotics agreements and to take the counternarcotics measures specified under U.S. law.

This procedure is different from that used in prior years, and reflects changes resulting from the passage of the Foreign Relations Authorization Act, 2002–2003 (P.L. 107-228) (FRAA). Section 706 of the Act makes permanent the "failed demonstrably" standard adopted last year for majors list country certifications, and consolidates the identification of the majors list countries with the certification process into a single report. As in previous years, this year's certification determinations required the President to consider each country's performance in areas such as stemming illicit cultivation, extraditing drug traffickers, and taking legal steps and law enforcement measures to prevent and punish public corruption that facilitates drug trafficking or impedes prosecution of drug-related crimes. The President also had to consider efforts taken by these countries to stop production and export of, and reduce the domestic demand for, illegal drugs.

In his report, the President identified the following as major drug-transit or major illicit drug-producing countries: Afghanistan, The Bahamas, Bolivia, Brazil, Burma, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, India, Jamaica, Laos, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Thailand, Venezuela, and Vietnam. The President also reported to Congress his determinations that Burma, Guatemala, and Haiti failed demonstrably, during the previous 12 months, to adhere to their obligations under international counternarcotics agreements and to take the measures set forth in U.S. law. The President determined, however, that provision of United States assistance to Guatemala and Haiti in FY 2003 is vital to the national interests of the United States. Therefore, under provisions of the FRAA, these two countries will receive assistance, notwithstanding their counternarcotics performance. The President did not make this determination with respect to Burma.

Eradication. Aerial eradication of coca can be very effective in attacking and disrupting the cocaine business. Once killed, a replanted coca field takes approximately one year to mature and provide its first coca leaf harvest—a mature field provides four harvests annually. Moreover, coca is relatively labor intensive and expensive to replant. Establishing a one hectare (2.5 acres) field costs between \$1,300 and \$2,200, depending on whether the coca is replanted in an existing field or if a new field is cleared from native rainforest. Once mature, coca requires manual labor to pick and enormous quantities of chemicals to process into cocaine. Poppy in the Western Hemisphere is cultivated in small fields, typically less than 0.5 hectares in size, in rugged high mountain regions where weather prevents efficient location and aerial eradication. The poppy plant is an annual that takes 3–4 months to mature and can be replanted for about \$5 worth of seed per hectare. Thus, when a poppy field is eradicated, within days the glyphosate eradication agent decomposes in the soil and a new field can be planted that will mature within 3–4 months.

Consequently, poppy fields have to be eradicated many times annually to eliminate the crop potential. Because of these difficulties, a significantly larger investment of time, equipment, and personnel is required for aerial eradication of poppy than for coca.

Interdiction. Illegal drugs are also vulnerable when being moved or massed for shipment. Cocaine "chokepoints" include Colombia's cross-Andean road and air links, while consolidation and transshipment points in Colombia include key locations on the north and west coasts and Colombia's coastal waters, where the predominant mode of export—go-fast boats—depart toward the United States.

Organizational Attack. Another vulnerability of the drug industry is its organizational hierarchy, financing apparatus, and accumulated assets. Attacking the industry's leaders, their money and their assets increases their costs, reduces their profits, generally disrupts their operations, and deprives them of the "fruit" of their labors.

Regional Issues

Guatemala

Guatemala's overall counterdrug commitment deteriorated during 2002, and a heightened level of corruption impeded significant progress. Guatemala remains a major drug-transit country for South American cocaine en route to the United States and Europe in 2002. Significant shipments of drugs regularly move through Guatemala by air, road, and sea routes with very little law enforcement intervention. Cocaine seizures decreased by more than 40 percent and were far below historic averages. Historic problems of widespread corruption, acute lack of resources, poor leadership, and frequent personnel turnover in law enforcement and other Government of Guatemala (GOG) agencies continue to plague the GOG and negatively affect that nation's ability to deal with narcotrafficking and organized crime. The National Civilian Police's Anti-Narcotics Operations Department (DOAN) was eliminated due to frequent corruption scandals. The police, in two instances, stole quantities of drugs that they officially seized, and have been identified with drug-related extrajudicial executions of both narcotraffickers and civilians. The newly created narcotics police (SAIA) has had some small successes and has been very responsive to U.S. training and technical assistance. The USG will work with the GOG to professionalize the SAIA, with particular emphasis on leadership, investigations, and human rights issues. Similar efforts are underway to improve the performance of the narcotics prosecutors and judges. The President provided a vital national interest certification to Guatemala because the suspension of assistance to Guatemala would result in further deterioration of precisely those Guatemalan institutions that are essential to combating the influence of organized crime in Guatemala.

Haiti

The presidential determination listed nine specific counterdrug actions that Haiti failed to take after being asked to do so by the United States, among them introduction of anti-corruption legislation, prosecution of drug-related public corruption, and enforcement of the Haitian Central Bank's existing anti-money laundering guidelines. It called Haiti "a significant transshipment point for drugs, primarily cocaine, moving through the Caribbean from South America to the United

States." Haiti continued to have massive politicization of the national police force, failed to commit additional resources to their coast guard, and did not increase the numbers of seizures and arrests over those of prior years. In the case of Haiti, a vital national interest waiver was provided to enable assistance to continue in order to alleviate hunger, increase access to education, combat environmental degradation, fight the spread of HIV/AIDS, and foster the development of civil society in Haiti.

Colombia

Because nearly all U.S.-consumed cocaine is manufactured in, or passes through, Colombia, and virtually all of Colombia's heroin production ends up in the United States, we focus on Colombia as the center of gravity of our international counternarcotics strategy.

If Colombia sprays 200,000 hectares (500,000 acres) of coca in 2003, as President Uribe has pledged, there should be a significant reduction in cocaine production, and it will be extremely difficult to motivate farmers to continue to plant coca—because so few of them will see any profit from their efforts. Our strategy calls for returning to previously sprayed areas to destroy any replanted crops before they can be harvested, and to further make coca farming unprofitable. President Uribe is committed to coca eradication and has demonstrated his desire to eradicate the drug trade in Colombia. In fact, in the Putumayo Department in southern Colombia, after the massive spray campaign that was conducted last year from August through November, there was evidence that about 10 percent of the coca-farming population had left the area because the coca economy could no longer sustain it.

The U.S. strategy for dealing with Colombian heroin is focused on attacking the transportation and organizations themselves, while providing some level of poppy eradication. The strategy's main elements are: the use of drug detection X-ray machines and computerized systems at all international airports in Colombia, intelligence collection and a law enforcement attack against the heroin trafficking leadership using DEA's expanded Heroin Task Force in Bogota, and eradicating some 5,000 hectares of poppy each year.

Aerial interdiction capacity in Colombia will increase dramatically as the Air Bridge Denial program goes back into operation. Although a majority of cocaine is now transported across the Andes by land, a significant amount moves by air and stopping that flow will impose significant penalties on traffickers. Denying traffickers unhindered movement by aircraft will make it more difficult for them to collect coca cultivated in remote regions where air transport is the only efficient mode of transportation.

Maritime interdiction and interdiction in coastal waters are promising because almost all cocaine is initially moved off the Colombian coast by go-fast boats (in the Pacific, some cocaine is later loaded onto fishing vessels). In 2002, the Colombian Navy seized the majority of the cocaine captured in Colombia, principally in those coastal waters. DEA is working with the Colombian Coast Guard and the Colombian National Police to establish a substantial North Coast capacity by July 2003. Similar efforts are also underway on Colombia's West Coast, and we expect to see improved enforcement and interdiction results in 2003.

President Alvaro Uribe continues to attack the drug trade; an unprecedented 26 extraditions have occurred since August 2002. He has also reformed Colombia's

asset forfeiture laws, reducing substantially the time between asset seizure and final disposition of the assets. This has caused top traffickers to seek "special deals" if they turn themselves in, to avoid losing all of their ill-gotten drug profits.

With new counterdrug-counterterrorism authorities from the U.S. Congress, it will be possible in 2003 to improve the information and assistance we provide to the Government of Colombia, allowing better targeting of the leadership of the drug industry. Our strategy also includes continued training and support to the Colombian military and the National Police, improving their ability to attack high-value drug and narco-terrorist targets, and allowing them to provide a security environment in which Colombia's social development and judicial programs can mature. President Uribe is also streamlining, reforming, and expanding the Colombian military. His goal is a more effective and professional military, with a near-term capability to capture narcoterrorist leaders, secure critical infrastructure, disrupt the command level of the terrorist groups in Colombia, and seize or destroy high-value cocaine-related targets. The recently reorganized Colombian CD Brigade is more mobile, has greater reach, and is capable of operating throughout Colombia.

Mexico

The United States and Mexico continue to improve their ability to cooperate against a very serious drug threat to both countries. The Mexican Attorney General's Office (PGR) and the military services are targeting the leadership of all major drug trafficking organizations, with the goal of disrupting their production, transport, and sale of drugs. Last year Mexican authorities continued to achieve impressive results in arresting leaders of major drug trafficking organizations. Since 2001, over 50 top leaders of the Mexican major drug trafficking organizations have been arrested and thousands of other traffickers have been removed. During 2002, 17 drug-related defendants were extradited to the United States for prosecution.

Mexico maintains a very effective and intensive eradication program against marijuana and poppy. Internal to Mexico, interdiction efforts against marijuana and cocaine continue to be improved, as does the interface with U.S. forces in the Pacific that track the hundreds of tons of cocaine moved by maritime vessel from Colombia to Mexico.

The PGR and Mexican military services continue efforts to strengthen their institutions and root out corruption within their ranks. The PGR's Federal Investigative Agency (AFI) and the National Drug Planning Center (CENDRO) have developed more investigators to collect and analyze information on drug trafficking and other organized crimes. These investigators use document exploitation software provided by the U.S. National Drug Intelligence Center (NDIC) together with computer hardware and software provided by the U.S. Embassy's Narcotics Affairs Section.

President Fox and members of his Cabinet unveiled an ambitious National Drug Control Plan in early November that called upon Mexican society and institutions to wage a frontal assault against all aspects of the drug problem, including production, trafficking, and consumption. We applaud these efforts, and are engaging Mexico to assist in all aspects of this major initiative.

Despite these efforts, Mexico remains a transit country for 70 percent of cocaine reaching the United States; produces and delivers approximately 30 percent of the

heroin and about 30 percent of the marijuana consumed in the United States; and is a significant source of synthetic drugs. In addition, numerous elements of the Mexican criminal groups are located throughout the United States and are the predominant distributors—*within* the United States—of cocaine, methamphetamine, marijuana, and heroin.

The U.S. drug control program in Mexico during FY 2003 is aimed at: assisting the GOM to dismantle drug cartels and disrupt drug trafficking, supporting the GOM's efforts to strengthen law enforcement institutions, and promoting anticorruption reforms.

We support Mexico's further strengthening of their federal law enforcement institutions, particularly the Special Investigative Units and the tactical analysis capacity of the Federal Agency of Investigations (AFI). Equally important is the transformation of the Center for Drug Control (CENDRO) into an independent intelligence analysis organization under the Office of the Attorney General.

Canada

Although the United States enjoys an excellent level of bilateral cooperation with Canada, the United States Government is concerned that Canada is a primary source of pseudoephedrine, which is exported to the United States. Over the past few years there has been an alarming increase in the amount of pseudoephedrine diverted from Canadian sources to clandestine drug laboratories in the United States, where it is used to make methamphetamine.

The Government of Canada, for the most part, has not regulated the sale and distribution of precursor chemicals. The regulations to restrict the availability of pseudoephedrine, which the Government of Canada has just promulgated, should be stronger. Notwithstanding Canada's inadequate control of illicit diversion of precursor chemicals, Canadian law enforcement agencies continue to work energetically to support our joint law enforcement efforts.

We are also concerned with increasing amounts of high-potency marijuana exported to the United States. Hydroponic hothouse operations in Canada produce cannabis with high levels of THC, and the RCMP reports that Vietnamese groups may have mastered organic methods that rival the more technical systems. Moreover, Canadian law enforcement officials have seized a few aeroponic installations, where plant roots are suspended in midair and are sprayed regularly with a fine mist of nutrient-enriched water. While there are no official production statistics, the RCMP estimates that 800 tons of cannabis are produced each year. Authorities destroy over one million plants annually (the equivalent of roughly 200 metric tons of marketable marijuana).

The Andean Ridge

Peru and Bolivia reduced the cultivation of coca from 115,000 hectares to 34,000 hectares and 48,000 hectares to 14,000 hectares, respectively, from 1995 to 2001. However, in both countries coca cultivation marginally increased in 2002. Most troubling has been the new politicization of the coca industry in both countries, and the difficulty the governments have faced in confronting the challenge from groups pursuing an illegal agenda. Although less than two percent of the cocaine seized in the United States is identified as coming from Peru and Bolivia, the resurgence of

coca and the illegal groups that produce it, including the Shining Path in Peru, are threats to regional stability and cause for serious concern.

Ecuador continues to hold the line against cultivation, but is still a major transit country for illegal drugs, arms and precursors. Newly elected President Gutierrez has recognized the threat from drugs and has pledged to help the United States counter trafficking through Ecuador. He has also promised to honor our treaty for the use of Manta for counterdrug flights in the region.

Venezuela is another major transit country for illegal drugs, allowing about 100 metric tons of cocaine to flow through its borders en route to Europe and the United States. Its pressing political problems have created an opening in which narcoterrorists can operate with impunity.

Conclusion

We have an unprecedented opportunity to seriously reduce the availability of illegal drugs in this country by focusing efforts on the drug trade's vulnerabilities and on the key countries—Colombia and Mexico—that are involved in the production and movement of most of the drugs destined for the United States. The inauguration of President Uribe has ushered in a new level of Colombian commitment and dedication to eliminating illicit coca production and the income it provides for terrorists and international criminals.

President Uribe has committed an unprecedented level of resources, and has enabled Colombia to eradicate most the coca in the Putumayo / Caqueta regions during the last quarter of 2002, and he intends to eradicate 200,000 hectares per year. This rate of eradication—coupled with the credible threat to continue it indefinitely—has the potential to destroy existing large-scale coca production, to convince farmers that coca production is not worth the risk, and to reduce replanting rates. The end result will be significantly reduced cocaine availability in the United States, and significantly decreased financial support for terrorist organizations.

To accomplish these objectives the United States must help Colombia achieve the security it needs, provide aerial spray support, and help with training and intelligence for law enforcement and interdiction forces. Similarly, we have an opportunity to help President Fox as he continues his progress in reforming counter-drug institutions, moving directly against the leadership of major drug trafficking organizations, and disrupting drug transportation networks throughout Mexico.

Success in these areas will make a real difference in the availability of drugs in the United States.

This year promises to be a pivotal one for our strategy against drugs, both in terms of reducing the consumption in the United States, and disrupting the drug market within the Western Hemisphere. It will be a crucial year for our relationship with our partners in the region, especially the leadership in Colombia and Mexico that are engaging in this difficult effort. We must continue to fund those strategies that are working, and keep the pressure up on all fronts. We will continue to assess our efforts and report our progress to the Congress.