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# 2007 International Narcotics Control Strategy Report

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The Department of State (DoS) releases its *24th Annual International Narcotics Control Strategy Report* (INCSR), which is mandated by law and produced by the Bureau for International Narcotics and Law Enforcement Affairs. While the INCSR delves into substantial detail on a country by country basis, I would like to highlight major trends and accomplishments. In 2006, the United States and our partners in the international community continued to combat narcotics and money-laundering activities vigorously throughout the world. Nonetheless, we saw both progress and setbacks last year.

## **The Western Hemisphere**

Many countries in the Western Hemisphere demonstrated the necessary political will and are confronting the drug trade head on. In Mexico, the Fox and Calderon administrations have cracked down on traffickers and drug related violence more than any previous Mexican governments. In cooperation with the United States, they have seized drugs, eradicated illegal crops, prevented chemical diversion, and extradited some of Mexico's most notorious traffickers. There is still much work to be done. Mexico remains the primary corridor for drugs entering the United States. Over the past year, methamphetamine production increased, and drug-related violence and homicides escalated. We are pleased with the Calderon Administration's strong actions to address these problems, and we look forward to our continued cooperation.

In the Andes, Colombia continued to attack the drug trade and terrorist organizations which profit from it. The Government of Colombia eradicated a record amount of coca last year. Though cultivation persists, aggressive eradication resulted in the destruction of what could have become billions of dollars of cocaine. The number of cocaine addicts in the United States has also dropped from 3.4 million in 1995 to roughly 1.5 million today. It has been almost eight years since the inception of Plan Colombia and our joint efforts are helping reinforce the rule of law and restore order. Since 2002, homicides have declined by 40 percent, kidnappings by 76 percent, and the number of terrorist attacks by 61 percent. This is starkly different from the mid-1990s when Colombia was reeling from drug cartels and insurgent violence. To build on these successes, Colombia has developed a new Strategy for Strengthening Democracy and Social Development. This strategy continues current programs and policies, while emphasizing economic growth, trade, and rural development. The Administration is now seeking Congressional support for this new strategy.

In contrast to the strong stands taken by the governments of Mexico and Colombia, political will in Venezuela and Bolivia faltered last year. The President determined last September that Venezuela, for the second year in a row, demonstrably failed to adhere to its obligations under international narcotics agreements, or cooperate with the United States. Venezuela is now a principal transit country for Andean cocaine. Despite an influx of drugs transiting the country, Venezuela's permissive and corrupt environment led to fewer seizures in the past twelve months. The number of suspected drug flights departing Venezuela also substantially increased, more than doubling in 2005 and continuing

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to rise last year. From 2005 to 2006 there was a 167 percent increase in cocaine trafficked via air to Hispaniola.

Over the past year, Bolivia experienced an erosion of previous successes. Bolivian President Evo Morales remains the leader of six coca growers' federations and advocates for increased cultivation and the "industrialization" of coca. While Bolivia met its eradication goal by destroying 5,000 hectares of coca in 2006, this represents the lowest amount of eradication in ten years. Moreover, President Morales announced a plan to increase legal coca cultivation from 12,000 to 20,000 hectares, which would be in violation of international agreements if implemented. Bolivia's interdiction and seizure efforts did improve all around, but this may be due, in part, to increased cultivation and trafficking.

### **South and Central Asia**

Another region of major concern is South and Central Asia. Afghanistan's opium poppy cultivation increased by an alarming 59 percent, making last year's crop the largest on record. Afghanistan produced over 90 percent of the world's opium and has the dubious distinction of being the world's largest producer and trafficker of heroin. Of particular concern to the U.S. government is the increasing involvement of the Taliban in the drug trade. The Taliban have publicly linked themselves to poppy cultivation, and drug profits now support elements of the Taliban and fund attacks on U.S. and the North Atlantic Treaty Organization (NATO) forces. Counternarcotics efforts intensified last year, but results to date are insufficient. More must be done. The flourishing opium trade is also harming Afghanistan's neighbors, some of the poorest countries in the world, who are suffering from the addiction, corruption, and violence left in the wake of traffickers.

### **Synthetic Drugs**

Demand for methamphetamine and synthetic drugs continues to steadily increase in both the industrialized and developing world. The relative ease and low cost of manufacturing these drugs from readily available chemicals not to mention their addictive properties has undoubtedly led to their popularity worldwide.

In 2006, Mexico was the principal foreign supplier of methamphetamine destined to the United States and a transit country for precursor chemicals. Fortunately, methamphetamine use in the United States has declined, although our communities must still cope with the dire societal effects of this dangerous drug.

Ecstasy use continues to plummet in the United States among the teenage population most at risk. Global demand, however, remains strong and ecstasy use in Europe and Canada is significant. Labs in Eastern Europe are major suppliers to the European market with the United Kingdom and the Nordic countries among the heaviest consumers.

### **Combat Methamphetamine Epidemic Act Reporting Requirements**

In response to domestic methamphetamine production and abuse, Congress passed the *Combat Methamphetamine Epidemic Act* last year. The Act requires the INCSR to contain a specific report identifying countries that are the five largest importers and five largest exporters of the methamphetamine precursor chemicals pseudoephedrine, ephedrine, and phenylpropanolamine. I would like to note that this report does not comply with all the technical requirements of the Act. First, we did not include the chemical phenylpropanolamine, as it is not an important methamphetamine precursor. There is also insufficient data available on trade in the chemical to meet the Act's reporting requirements. Second, information on exports and imports of pharmaceutical preparations, such as cold medicines, is commercially proprietary information and we were unable to obtain it. Finally, we do not have estimates of legitimate requirements this year. We

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should, however, have them next year as a result of a 2006 United Nations (U.N.) Commission on Narcotic Drugs resolution, which requests countries provide this information to the U.N. International Narcotics Control Board. For this reason, the countries listed as major importers are those with the largest imports, not necessarily those with the highest rates of illegal diversion.

On this basis, the top five exporters and importers of ephedrine and pseudoephedrine in 2005 were Belgium, China, Germany, India, Indonesia, Mexico, Singapore, South Africa, South Korea, Switzerland, Taiwan, and the United Kingdom. The President has determined that all of these countries have cooperated fully with the United States or have taken adequate steps on their own to achieve full compliance with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

### **Anti-Money Laundering and Terrorist Financing**

The second volume of the INCSR is devoted to money laundering and terrorist financing. It describes the efforts of countries around the world to improve their anti-money laundering and counter-terrorist financing regimes. It also details important U.S. and multilateral initiatives to address these issues. While money laundering has long been intertwined with the drug trade, it has been since September 11, 2001, that we have become more aware of terrorists using trade-based money laundering and underground systems to move money and transfer assets. They are attracted to alternative remittance systems, such as the hawala system in Asia and the Middle East because they can avoid the scrutiny of financial transparency reporting requirements.

Of note, the Department of State helped establish Trade Transparency Units in the Tri-Border region of South America. Within six months, the unit in Brazil was investigating 238 individuals allegedly involved in a fraud scheme that cost the government of Brazil more than \$200 million in revenues. In the first week of January, the Colombian police, working with U.S. law enforcement, seized more than \$80 million in cash and gold. This is the single largest seizure of drug-related illicit profits ever to occur in the Western Hemisphere.

### **Conclusion**

Without the cooperation of foreign governments and U.S. law enforcement none of this would be possible. I would like to thank all of our partners and particularly the U.S. Drug Enforcement Agency which has had a banner year abroad. Making communities worldwide safe from drugs and the associated violence and corruption is a daunting task. Drug trafficking organizations are well funded, dynamic, and capable of adapting to pressure from law enforcement. We must continue to target the financial networks that allow criminals to reap their ill-gotten gains, and terrorists to finance their activities. Directly confronting these scourges is a task of vital necessity. The toll suffered by nations and law-abiding citizens when legal, economic, and social institutions are undermined is too great to be ignored.