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APPROVED FOR RELEASE

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ITEM 6. PERU'S EVOLVING NARCOTICS TRADE

THE NARCOTICS INDUSTRY IN PERU

PERU PRODUCES MORE THAN TWO-THIRDS OF THE WORLD'S ANNUAL RAW COCA CROP. SOIL AND CLIMATIC CONDITIONS IN THE HUALLAGA VALLEY ALLOW FOUR HARVESTS PER YEAR OF COCA LEAF WITH A HIGH ALKALOID CONTENT-- THE KEY FACTOR IN COCAINE PRODUCTION. ACCORDING TO OUR ESTIMATES, THE 121,300 HECTARES OF COCA CULTIVATED IN PERU LAST YEAR COULD YIELD 570 TO 610 METRIC TONS OF COCAINE BASE, WHICH CAN BE CONVERTED INTO AN EQUAL AMOUNT OF COCAINE HCL. WE ESTIMATE PERU'S COCA YIELD IN 1991 WILL INCREASE POTENTIAL COCAINE BASE OUTPUT TO SOME 655 TO 700 METRIC TONS, EVEN AS THE POTENTIAL COCAINE BASE OUTPUT OF BOLIVIA AND COLOMBIA DECLINES SLIGHTLY OR REMAINS UNCHANGED.

PERU'S COCA PROCESSING INDUSTRY HAS LONG BEEN THE LEAST SOPHISTICATED AND MOST LABOR INTENSIVE OF THE THREE ANDEAN COCAINE PRODUCING COUNTRIES. MORE THAN 60 PERCENT OF PERU'S COCA CULTIVATION IS IN THE UPPER HUALLAGA VALLEY, A REMOTE JUNGLE REGION ON THE EASTERN SLOPES OF THE ANDES WHERE SOME 200,000 INHABITANTS RELY ON THE DRUG TRADE.