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DEA Review Completed

International Narcotics Developments

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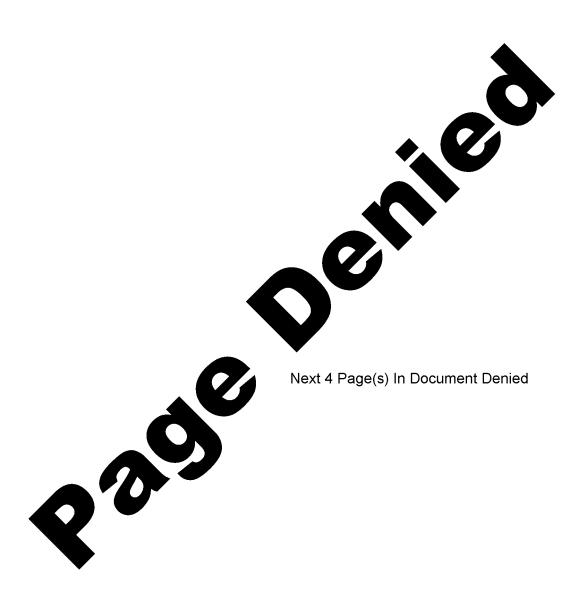
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INTERNATIONAL NARCOTICS DEVELOPMENTS 28 September 1977

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This publication is prepared by analysts in the Directorate of Intelligence for specialists in the Washington community who are interested in international narcotics matters. Comments and queries are welcome. They should be directed to the	
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THAILAND: Narcotics Dominoes Begin To Fall

The impact of Burmese and Thai antinarcotic efforts is beginning to be felt south of the Burma border. References have been made to a chaotic narcotics market in Bangkok because of erratic supplies of processed narcotics. Traffickers have been overly cautious on sales despite availability, and only small quantities are being sold to established buyers. Some traffickers, however, have dropped prices in order to reduce their stocks. In general, prices for most narcotics had increased in August because of high commission payments and the departure of many major traffickers from Bangkok.

Suppression activities by the Thai Government in south Thailand have pushed the price of No. 4 heroin there to higher levels. Traffickers, fearing possible heavy financial losses from seizures, are refusing to sell heroin in more than one or two unit lots. Prices of No. 3 heroin at the Thai-Malaysian border have also risen as a result of a temporary suspension of cross-border shipments because of intensive border searches by Thai and Malaysian customs personnel.

There are indications that the major financiers of the narcotics traffic may be shifting their support to less hazardous products such as gem stones. Although such moves may be contributing to the present crisis, the prospects of high profits will no doubt attract other risk-takers to fill the vacuum.

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BURMA-THAILAND: Strained Relations Hamper Antinarcotics Cooperation

A mutual interest in the interdiction of the narcotics trade out of northeast Burma into northern Thailand had prompted some efforts toward greater cordiality.
These were undermined last June, however, by Burmese detention of a Thai helicopter that had intruded into Burmese
airspace. Admission by the Thai pilot that he had landed
inside Burma several times previously supported Burmese
suspicions of connivance by local Thai officials with
Burmese narcotics trafficking organizations along the
border. Burmese officials are well aware that narcotics
traffickers in Thailand have no helicopters of their own.
Burmese annoyance has been fed by Thai failure to follow
through a promised investigation of the helicopter incident.

Thai-Burmese relations are now at their lowest ebb in several years and show little indication of early improvement. Historic animosities have been revived by the Thai conviction that the Burmese Government's homegrown socialism smacks of Communism and by Burmese annoyance over contacts by some Thai officials with Burmese political exiles, ethnic insurgents, and opium traffickers.

Burmese feathers were ruffled anew last month by the search of the person and baggage of a Burmese Cabinet Minister transiting the Bangkok airport. The Thai have offered no explanation, and the Burmese see the incident as a calculated aggravation.

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The Burmese have been disturbed most recently over reports that a Thai gunboat will be assigned to accompany Thai fishing boats poaching in Burmese waters off Burma's southern coast. Burmese determination to seize the gunboat if the Thai carry through with the reported plan could result in a confrontation from which, for reasons of national pride, it would be difficult for either side to disengage.

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AFGHANISTAN: UN Sponsors Crop Substitution for Opium Poppies in Helmand Valley

The United Nations Fund for Drug Abuse Control (UNFDAC) has begun the ground work for a crop substitution program to replace opium poppy as a source of income in the upper Helmand Valley of Afghanistan. Although opium poppy cultivation is illegal in Afghanistan, the government is unable, and in some cases unwilling, to enforce the ban. The proposed UN program has so far not gone beyond preliminary surveys, but UNFDAC believes that a feasible program can be developed and sold to both Afghanistan and foreign aid donors.

Significant poppy-growing in the Helmand area began fairly recently, but the opium production there probably would be great enough to meet the entire demand of the US addict population. Most of the opium grown in Afghanistan is smuggled abroad, with the bulk going to neighboring Iran.

The Helmand Valley program, if successful, could have more impact than UNFDAC's current efforts in the more remote and less developed Badakhshan Province, where opium is more important to the local economy and crop substitution would be more difficult. A significant part of the crop in Badakhshan, is also consumed locally. The Helmand Valley is much more accessible to enforcement authorities than Badakhshan. Some cynics have commented that the main UNFDAC effort there—an addict treatment center—if successful, could give the province more opium for export.

Success for the Helmand project would probably en-
courage the Afghans to cooperate in similar projects
in other areas. Nevertheless, the UNFDAC program for
Helmand is still on the drawing board, and it could be
years before any significant decrease in opium production
results.

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EAST-WEST GERMANY: Substantial Flow of Illicit Narcotics Through Berlin

The West Berlin Government is urging West Germany to request East German assistance in reducing the flow of hard drugs moving through East Berlin into the city's western sectors. This would be possible under Article 6 of the East-West German health accord. The drug problem has become a major issue in West Berlin and is complicated by the many legal technicalities of the Berlin question. Prospects for East German assistance are dim.

Large numbers of persons, many of them Turkish migrant workers, arrive at East Germany's Schoenefeld Airport, board S-bahn at the airport, enter East Berlin, and then cross directly into the Western sectors. Smugglers are increasingly using the Berlin route because it is safer since the crackdown by Dutch authorities in Amsterdam.

The West Berlin - West German request for help is not likely to yield significant results. The East Germans are not likely to admit that hard drugs are passing through East Berlin. They do not consider this their problem and would probably regard charges of East German complicity as a Western slander campaign. The East Germans, moreover, earn needed hard currency by offering cut-rate airfares to Schoenefeld, and they are attempting to funnel as much of the Berlin civilian air traffic as possible through Schoenefeld.

There are also problems on the West Berlin side. There is little hard evidence as to what proportion of the drugs entering West Berlin comes via Schoenefeld as compared with other routes. West Berlin does not have a comprehensive drug-control program. West Berlin is also boxed in because effective drug controls at the East-West Berlin sector boundary would impede traffic and give the boundary the appearance of an international border, something the Western allies cannot permit. West Berlin,

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however, could establish controls at S-bahn stations away from the sector boundary.

If the East Germans were to assist West Berlin in its drug campaign, it probably would be through an unpublicized effort spurred by payments of hard currency for East German "assistance." East Germany might also go along if it perceived that some of the drugs were staying in East Berlin. There is no evidence of this, and pushers would rather have hard currency than East German marks.

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NOTEWORTHY POLITICAL AND ECONOMIC DEVELOPMENTS

(Editor's Note: These items, produced for another CIA publication, do not deal specifically with the international narcotics situation. They are included here, however, because they concern developing situations that could impact on the international narcotics control effort.)

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MEXICO: Holding Down Wages and Prices

Mexican President Lopez Portillo has scored the most striking success of his nine-month tenure by holding wage increases to 10 percent. This achievement, indispensable to the government's economic stabilization program, already has helped reduce the inflation rate significantly--from 3 percent in January to 1 percent a month by April.

The Mexican labor movement has features that distinguish it from labor movements elsewhere in the developed and developing worlds. Rather than a broad horizontal grouping stressing the class interests of workers, it is a complex of vertical patron-client relationships geared to the benefits that each individual worker can obtain from loyalty to his immediate labor leader.

The lower ranking labor leaders dispense favors to workers and provide loyalty to the next level of leadership. At the top of this pyramid is the leader of the Confederation of Mexican Workers (CTM) and ultimately the President of Mexico. The rank-and-file judge the effectiveness of a labor leader at any level more by his ability to secure benefits for individual workers—a job for a relative, a small loan, or help on a problem with the police—than by his ability to raise wages for the mass of workers.

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The average worker correctly perceives that wage increases are granted by the President in response to a wide range of influences, not forced by acts of the labor movement. Strikes often are simply tools of the government to bring management into line with government labor policy.

Although labor is considered one of the three official sectors of the ruling party--along with the peasantry and the "popular" (middle class) sector--the degree of presidential control over the movement varies greatly from union to union. The unions of the CTM, for example, are usually under the firm control of the government party. Many other unions, without direct CTM affiliation, are secretly controlled or influenced by the government. Still other unions, such as those involved in recent university and steel strikes, are largely independent. Because of continued efforts by the government to co-opt these unions, it is difficult to determine the exact degree of independence of the non-CTM unions at any given time.

The President is constrained to use Fidel Velasquez, the 77-year-old leader of the CTM, as his principal agent in labor matters. "Don Fidel," loyally serving seven successive presidents, has dominated labor politics, though not labor policy, for 40 years. With respect to long-term political influence, he is often described as the most powerful man in Mexico. This was demonstrated when former President Echeverria tried to undercut Velasquez' power base and emerged the clear loser.

When Echeverria came to power in 1970, he was widely regarded as a political hard-liner, largely insensitive to working-class problems. He made an early and continued effort to change this image, in part by raising minimum wages.

Most nonunion labor, outside of agriculture, receives the minimum wage; the wages of organized labor, which makes up 30 percent of the nonagricultural labor force, are usually somewhat higher. Although union wage increases are nominally determined through collective bargaining, they in fact closely follow the minimum wage guidelines set by the President.

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Echeverria had two political goals in view when he adopted his wage policy: to establish his credentials as a populist President, and to wrest control of the unions from Velasquez by appealing to the workers as a class through increased wages and benefits. Patron-client relationships remained stronger than class interests, however, and Velasquez continued in firm political control of the labor movement. The defeat cost Echeverria considerable prestige and influence in Mexican political circles.

Echeverria's wage policy also had serious consequences for financial stability. Wage restraint, which had long played a key role in Mexico's strong economic performance, was allowed to erode after 1972. Pay settlements in the manufacturing sector went from 9 percent annually in the early 1970s to 12 percent in 1973 and 25 percent in 1974. By then, wage push had become an increasingly important factor behind Mexico's rapid inflation, especially since labor productivity was rising only 2.5 percent per year. In 1975-76, higher wage costs accounted for most of the 33-percent rise in domestic prices. The resulting loss in international competitiveness eventually led to a 45-percent depreciation of the peso in late 1976.

In imposing his austerity program--which, like pre-Echeverria economic policies, relies heavily on wage restraint--Lopez Portillo has worked closely with Velasquez. An increase in the minimum wage granted on 1 January 1977 was 10 percent, the lowest increase in four years. Furthermore, organized labor pledged to hold negotiated wage increases to the same percentage during the first six months of the new administration.

Union wage settlements, for the most part, have honored the pledge. In cases where management was willing to grant higher settlements, the government has stepped in to limit wage increases to 10 percent. Velasquez' cooperation has been crucial in maintaining labor discipline while wage increases were being trimmed.

Lopez Portillo's stabilization efforts have been aided greatly by his skillful handling of key strikes by non-CTM unions at the national university and at Fundidora Monterrey, one of the nation's largest steel

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mills. In the university case, the administration negotiated patiently with union leaders, whose demands included a 20-percent wage increase. After the union went on strike on 20 June, the government undercut public support for the walkout through a well-orchestrated media campaign and, on 7 July, Federal District policemen swept onto the campus. The government's skill in this operation allowed it to reassert control of the university, avoid public outrage, and maintain the 10-percent ceiling on wage increases—all told, an impressive victory.

The government's success in holding down wages has had an immediate effect on the inflation rate. Consumer price inflation, which averaged 33 percent at an annual rate for the first three months of 1977, slowed to a 15-percent annual rate during the April-June quarter.

The government should be able to hold wage settlements close to the 10-percent level for the remainder of 1977. If this pattern can be maintained, the government stands a good chance of slowing inflation to about a 10-percent annual rate or less in the months ahead. Even though labor's pledge to Lopez Portillo expired in June, the slowing of inflation is undercutting advocates of higher wage settlements or a general wage increase later this year. A wage settlement early last month for Pemex, the government oil monopoly, still adhered to the 10-percent guideline.

Unions representing most other government workers will probably accept a similar increase in negotiations now getting under way. Most labor leaders are publicly urging restraint on their union members. There is no indication that unions that have already reached settlements this year are considering reopening negotiations.

Dissident groups—especially leftist students outside the national university—are likely to press for higher wages, subsidies, and scholarships in the coming months, but the President can probably meet these challenges without major damage to his policy.

US Treasury Department analysts believe that, while Lopez Portillo has been reasonably successful in holding wages in check, the evidence that he was pressed into announcing an end to the guideline in June portends

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greater difficulty in limiting demands for future wage increases. These analysts also believe that prospects for continued labor stability depend heavily on Lopez Portillo's yet unrealized goal of creating jobs by stimulating private-sector investment.

Over the longer term, Lopez Portillo's greatest test will come when Velasquez leaves the scene. Velasquez' death or retirement could lead to a succession struggle in which important members of the ruling party, both inside and outside the labor movement, line up against each other. Rivals for top union posts would be more likely to look up to the party leadership than down to the workers for their support, but a serious breakdown in labor discipline would be likely in the absence of Valasquez' cementing influence. A major party split would undermine the President's power in all areas—and what power remained would have to be expended in political fence-mending rather than in stabilizing the economy.

THAILAND: Military Still Restive

The Thai military's continuing dissatisfaction with the civilian regime it installed last October underscores the tenuous stability of the Thai political scene. The military has clearly not been content with the structure and leadership that emerged following its assumption of a stronger role last October. The anticipation since then of further change has created an atmosphere that breeds constant political maneuvering by political leaders unhappy with the current situation but unable to reach a consensus for change.

The Army's unhappiness with Prime Minister Thanin surfaced soon after he took office following the collapse of parliamentary government a year ago. Thanin had a reputation as an incorruptible jurist and staunch conservative and had written and lectured on counterinsurgency—seemingly excellent credentials for a civilian

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front man for the military. Thanin and his cabinet, however, have proven less malleable and less compatible than the military leaders anticipated.

Thanin's inflexibility and doctrinaire political views have caused increasing friction with his more pragmatic government colleagues both in the military and in the civilian bureaucracy. The Prime Minister has toned down the harsh anti-Communist rhetoric that marked his early weeks in office, but his open hostility to Thailand's Communist neighbors has conflicted with the country's postwar foreign policy of accommodation.

Thanin's suspicions of Vietnam--an exggerated projection of general Thai concern--have slowed progress toward normal diplomatic relations with Hanoi. The close relationship of key Thai leaders with the regime on Taiwan has annoyed the Chinese because they believe Bangkok is attempting to foster a two-Chinas policy.

The government's initial crackdown on dissidents was welcomed by most Thai, who were fed up with constant disorder. The populace now seems increasingly concerned that the government is excessively intolerant and that the controls it has imposed on the press, labor, and educational institutions are too severe. Moreover, there is general awareness that the Thanin government has been no more effective than Thailand's parliamentary regimes in dealing with the country's problems, despite the absence of the earlier turmoil.

The members of Thanin's cabinet were selected because they were reputed to be men of integrity. Most have proven to be mediocre administrators who have alienated the bureaucracy. Their efforts are underminded in part by the entrenched opposition of powerful men who see the vigorous campaign Thanin has waged against corruption as a threat to their political and financial interests.

The aggressive and outspoken Minister of Interior, Samak Sunthorawet, in particular, has become anathema to the military. His ill-considered statements last winter on alleged Vietnamese plans to invade Thailand embarrassed the government, and his continuing promotion of contacts

with Taipei runs counter to the general consensus in the military that good relations with Peking are in Thailand's best interest.

Samak has run his ministry forcefully and independently, and has stepped on toes in the process. Thanin, however, has stubbornly refused to jettison Samak or any other member of his cabinet—a position that has increased the frustration of his critics.

Pressure to remove Thanin has been building in the Army for several months, but a number of considerations have deterred the military leaders from acting:

- -- They have no obvious candidate to succeed Thanin.

 There appears to be no civilian who is both willing to serve and acceptable to all parties.

 Admiral Sa-Ngat and General Kriangsak--the key military leaders--have indicated they are available, but there is no firm evidence that military support has coalesced behind either.
- -- The military leaders fear that returning to direct military rule would strain relations with the US and alienate the Thai public.

 Admiral Sa-Ngat is retired from the Navy and General Kriangsak--now Deputy Supreme Commander of the Armed Forces--reportedly is willing is retire if he were made Prime Minister. With either man, a civilian facade could presumably be preserved, but it would be tenuous.
- -- There is no clear-cut issue that could be used to justify removing the Prime Minister abruptly. Despite the general dissatisfaction with Thanin's style, his "clean" image still seems to appeal to many people in the country.
- -- In addition, King Phumiphon has been reluctant to abandon Thanin, and the military leaders probably would not move against him without the King's concurrence. The degree to which Phumiphon was involved in the selection of Thanin to head the government is unclear, but Thanin has been considered by many to be the King's man.

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Recent reports, however, suggest that Phumiphon may have concluded that the constant infighting between Thanin and the top military leaders has undermined the Prime Minister's capacity to govern effectively. The King also appears concerned that competition for royal support by the various factions is tarnishing the image of the monarchy as an impartial symbol of national unity. It thus seems likely that the longer the present situation continues, the more willing the King will become to accept a government shakeup, especially if the military can present a united front.

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Already the generals seem reassured that their promotions will be forthcoming--Kriangsak probably to Supreme Commander of the Armed Forces and Yot probably to Deputy Commander of the Army--and earlier tension has subsided. Any move against Thanin in the near future now seems unlikely. Over the longer run, however, Thanin's chances for survival are poor. It is clear that his support among military leaders has significantly eroded.

Kriangsak, who is one year away from compulsory military retirement, has emerged as a determined candidate for Prime Minister,

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He clearly is the most capable individual in the military hierarchy—a well-prepared and broadly experienced staff officer who has shaped policy in many areas, both foreign and domestic.

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At the same time, his background as a staff officer is a drawback. Kriangsak has not traveled the traditional route of Thai military strongmen--commanding officer of the First Division and then of the First Army, and finally Army Commander. Although Kriangsak is respected, some in the Army oppose his becoming Prime Minister, and this opposition could prove an insurmountable obstacle.

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BRIEFS

ARGENTINA: Argentine authorities reportedly will soon undertake a survey to determine whether papaver somniferum is being illegally cultivated. Argentina is one of a number of countries in South America with conditions suitable for the production of opium poppies, which were legally introduced during World War II to prevent shortages of medicinal opiates when normal supplies of opium were cut off. Poppy cultivation, provided it is properly licensed, is still legal in Argentina. Official statistics of the Argentine Secretariat of Public Health showed that in 1971 358 hectares of opium poppies were legally harvested and refined into over 30 kilograms of opium used by the domestic pharmaceutical industry. None of the 23 growers who were licensed to produce opium last year, however, has filed for a renewal of a growing permit. Believing that the growers plan to continue illegally, the Argentine Federal Police are working with the Air Force to determine the location, scope, and production capabilities of the illegal cultivation. Arrests of growers and eradication of their fields are anticipated.

PERU: According to a Peruvian news article last week, the National Coca Enterprise (ENACO) will soon undertake a coca production study in the departments of Junin, Ayacucho, and San Martin—the country's traditional coca growing and consuming areas. ENACO reportedly has informed coca producers in the three areas that they will be required to submit comprehensive figures on annual production. A nationwide survey will be made after the preliminary studies are completed. A six—week pilot study has already been completed in Huanuco.

According to the US Embassy in Lima, the results of this latest effort to obtain more exact figures on coca cultivation in Peru are likely to be less comprehensive and less reliable than previous surveys. The most recent US estimate for annual coca leaf production in Peru is 25 million kilograms (25,000 metric tons). Taking into consideration legal

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exports and indigenous consumption, this estimate suggests that approximately 34 metric tons of re-	
fined cocaine hydrochloride could be produced each year in Peru.	
INDIA: The 750 grams of heroin recently seized in New Delhi reportedly originated in the Golden Triangle of Southeast Asia and had been smuggled into India from Burma. The US Embassy in New Delhi reports that it has no information which would indicate that opium conversion to heroin is taking place in India. With an annual crop of about 1,000 tons, India is by far the largest producer of licit opium in the world. Despite India's strict opium control system, as much as 10 percent of the legal crop may be leaking into illicit channels, but the bulk of any such leakage is absorbed domestically in India. Limited amounts, however, may be escaping from India into Sri Lanka	25X1
and the Arabian Peninsula. Some may also be smuggled out of India through the port of Bombay.	25X1
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INTERESTING READING

- Treatment of Drug Addiction by Acupuncture (HONG KONG)
 --TNDD,* No. L/7368, 14 September 1977, pp. 1730. (An article by Raymond Yao entitled "The
 Needles That Cure" which recently appeared in
 the Far Eastern Economic Review Limited. The
 article discusses the outpatient acupuncture
 and electro-stimulation (AES) treatment center
 for drug addiction which has been established
 at a Hong Kong hospital.)
- Drug Abuse Tied to Economic Development (MALAYSIA) -- TNDD, No. L/7368, pp. 40-42.
- Humane Help for Heroin Addicts (CANADA) -- TNDD, No.

 L/7368, pp. 62-63. ("British Columbia . . . has a compulsory treatment program for its 10,000 heroin addicts. It is the first of its kind in the Western world and is patterned on a successful Japanese plan initiated in 1963.")
- Investigation of Irregularities in Drug Samples (COLOMBIA) -- TNDD, No. L/7368, pp. 71-77.
- "Thailand Connection Trial" Ends, Top Drug Traffickers Convicted (ISRAEL) -- TNDD, No. L/7368, pp. 111-114. (This article deals with "the seizure of the largest shipment of heroin to date in Israel and the conviction of Israel's two foremost drug traffickers.")
- University President Interviewed on Drug Traffic (FRANCE) -- TNDD, No. L/7368, pp. 116-122. (A translation of an article in Le Nouvel Observateur by Gerard Petitjean.)

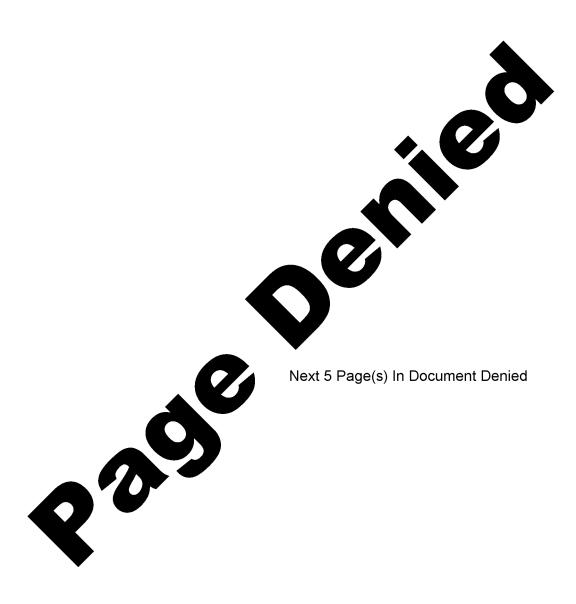
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- Heroin Trade Booms in Britain (UNITED KINGDOM) -- TNDD, No. L/7368, pp. 126-128. ("Officially, Britain had only 2,932 addicts at the end of 1976. But . . . the Coordinator of the Standing Conference on Drug Abuse (an unofficial organization). . . suggests a total of between 5,000 and 7,000.")
- Increased Turkish Role in Drug Trade Reported (WEST GERMANY) -- TNDD, No. L/7368, pp. 133-134. (According to the Federal Criminal Police Bureau in Wiesbaden, ". . . as late as 1976. . . more than 80 percent of the heroin confiscated in Germany had been imported from the Far East, predominantly by Chinese and Malysian couriers, while this year more than 60 percent of the confiscated heroin has come from the Middle East and has been brought in by Turks.")
- Worsening Drug Situation Reported (WEST GERMANY)--TNDD, No. L/7368, pp. 135-137. ("In 1978, the government wants to start a new program, with which youths endangered by drugs can be enlisted and attended to as early as possible. Emphasis is now on prevention.")
- Berlin's Drug Problem Examined (WEST GERMANY) -- TNDD, No. L/7368, pp. 138-140. ("In the first 7 months of this year, as many as 54 persons have died from drugs in Berlin--as many as the entire previous year.")

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