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Directorate of Intelligence

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**Latin America  
Review**

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*Special Issue: South American Narcotics:  
The "Spillover" Countries*

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5 July 1985

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**Latin America  
Review** [Redacted]

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5 July 1985

*Special Issue: South American Narcotics:  
The "Spillover" Countries* [Redacted]

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Venezuela

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Venezuela has become an important trafficking bridge between Colombia and the United States, and evidence of indigenous drug cultivation and cocaine processing is beginning to surface. [Redacted]

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*Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [Redacted]*

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### Articles

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#### Overview [Redacted]

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The illegal narcotics industry that has long flourished in Colombia, Bolivia, and Peru is spreading to neighboring countries in South America. Many of these countries have been drug transshipment centers for some time, but they now serve as bases for narcotics processing and increasingly for cultivation. This issue of the *Latin America Review* will analyze the dispersion of the drug industry by examining the resurgence and growth of narcotics-related activity in five countries—Argentina, Brazil, Ecuador, Paraguay, and Venezuela. [Redacted]

campaigns. New legislation in Venezuela stipulates harsh penalties for trafficking and offers programs to combat growing domestic drug abuse. Several governments have named respected individuals to direct antinarcotics efforts. These governments also are strengthening the capability of their security forces to deal with traffickers and are implementing active eradication and interdiction programs. International cooperation is growing—as evidenced, for example, by increased collaboration between the Venezuelan and Colombian armed forces and attempts by Brazil and Venezuela to stem the cross-border flow of precursor chemicals used in the production of cocaine. [Redacted]

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Several factors have contributed to the expansion of the drug industry. The major impetus in several countries stems from the shift of trafficker operations from Colombia, where the assassination last year of Justice Minister Lara Bonilla precipitated a major antinarcotics campaign. Moreover, severe economic difficulties throughout the region, coupled with growing domestic drug consumption, have increased the incentives for local producers to enter the lucrative narcotics trade. Further fostering this proliferation is the fact that many South American countries possess characteristics conducive to drug trafficking, including:

- Vast, isolated, and sparsely populated areas ideal for illegal activities.
- Climate and terrain suitable for coca, cannabis, and opium cultivation.
- Long, poorly controlled borders that facilitate illegal cross-border movement.
- Easy access by air and sea to markets in the United States and Europe.
- Established banking and financial sectors that can easily accommodate the movement and laundering of drug revenues. [Redacted]

Nevertheless, the case studies indicate that major obstacles hamper antinarcotics efforts. Each of the governments lacks funds and technical expertise and will continue to look to the United States for assistance. The performance of security forces against traffickers suffers throughout the region from bureaucratic and turf rivalries and inadequately defined missions. Corruption and official complicity in the drug trade are also evident, although less pervasive at this stage than in the major narcotics trafficking countries. In sum, weaknesses in legal, judicial, and security institutions in the five countries, together with the enormous financial resources of the traffickers and the region's dismal short-term economic prospects, lead us to conclude that governments will be hard pressed to prevent the narcotics industry from continuing to expand. [Redacted]

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Faced with growing drug problems, governments in four of the five countries—Paraguay is the exception—have launched energetic antinarcotics

Narcotics Activity



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**Argentina** 

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Argentina, traditionally on the periphery of the South American illicit narcotics trade, is now becoming a more important element in regional drug trade. Throughout the 1970s cultivation of coca and marijuana was minimal, Argentines were only marginally involved in the production and refining of cocaine, and domestic drug abuse was small scale. Argentina did serve as a conduit for the export of Bolivian cocaine to Europe and the United States, as a transshipment point for European heroin en route to this country, and as a safehaven for many international drug dealers. But narcotics trafficking, according to the DEA, was sharply curtailed by the military regime that seized power in 1976.

Although the Bolivian connection and the continuing Colombian Government crackdown on drug trafficking provided the immediate impetus for the growing Argentine involvement in the illicit drug trade, other factors have also played a role:

- Argentina's strategic location and extensive air and sea links with Western Europe and the United States provide excellent channels for smuggling cocaine.
- The sophisticated Argentine economy offers traffickers many means to launder money, hide operations, and acquire and transship chemicals used in cocaine production.
- The saturation of cocaine markets in the United States and Europe is forcing drug dealers to seek new consumers. Argentina's relatively prosperous and largely middle-class population is a tempting target.

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The drug situation in Argentina, in our view, has steadily deteriorated since 1980. Domestic consumption of illegal narcotics is up, trafficking has attained major proportions, and the country is reemerging as an important center for the storage and refining of cocaine.

**Origins of the Problem**

The resurgence of the narcotics trade coincided with the closing years of the military government that ruled from 1976 to 1983. Individuals in the Argentine Army were involved in the 1980 coup that brought the cocaine-trafficking regime of Gen. Garcia Meza and Col. Arce Gomez to power in neighboring Bolivia. According to the US Embassy, some Army officers began to cooperate with their Bolivian counterparts in cocaine production and marketing. When Garcia Meza and Arce Gomez were ousted in 1982, Arce Gomez fled across the border and continued to direct drug operations from Argentina.

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**Dimensions of the Drug Trade**

Argentina's main role in the South American cocaine trade is as a trafficking nation. Cocaine seizures by Argentine authorities increased from 98 kilograms in 1981 to 560 in 1983. The DEA currently estimates that upwards of 6,000 kilograms per year of cocaine are being transshipped through Argentina. According to US Embassy and press sources, the most widely used route is from Bolivia to the northwestern Argentine provinces of Salta and Jujuy by air, overland to Rosario, Buenos Aires, or other ports, and then by sea or air to Europe and the United States. Variations include passage through Paraguay and northeastern Argentina, as well as via Chile and the Argentine city of Mendoza, to shipment points on the Atlantic coast. Little reliable information on trafficking organizations is available; the Embassy has reported the activities of a ring associated with Arce Gomez and Bolivian cocaine magnate Roberto

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Details of subsequent Argentine military involvement in the drug trade are murky. DEA officials have speculated that the decline in Army discipline and morale after Argentina's defeat in the 1982 Falklands war may have aggravated military corruption and drawn some officers deeper into the narcotics business.

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Suarez, and of the "South American League," a loosely organized gang that includes Argentines, Chileans, Brazilians, and Europeans. [redacted]

In recent years Argentina has also emerged as a production and storage center for cocaine. Cultivation of coca—as well as of opium and marijuana—is illegal and very limited in scale, according to the DEA. A more serious development is the use of Argentina as a refining site, where coca paste and semirefined cocaine base are converted to finished cocaine. The DEA believes that there are at least 15 to 20 cocaine-refining laboratories in northwestern Argentina, as well as an undetermined number in greater Buenos Aires. US officials now estimate that roughly 75 kilograms per month of cocaine are refined in Argentina, just under the amount needed to categorize the country as a "major producer" by DEA standards. [redacted]

A final aspect of the drug trade is expanding domestic consumption. DEA officials claim that cocaine use is growing among the affluent and has penetrated the middle classes in the northwestern provinces. The press has confirmed widespread abuse of both cocaine and marijuana in resort areas such as Bariloche and Mar del Plata. The vast majority of the population, however, is untouched by cocaine. Basuco—a mixture primarily of coca paste and marijuana or tobacco that is smoked largely by the lower classes in other South American countries—has yet to appear in Argentina. Drug use is increasing among the Argentine masses but is mostly limited, according to the press, to glue-sniffing and abuse of over-the-counter and prescription medications. [redacted]

#### Government Response

We believe that President Alfonsin appreciates the degree and implications of the growing narcotics presence in Argentina. The government has attempted to educate the public about the drug problem through statements by Alfonsin, official publications, and cooperation with the media. Success in publicizing the issue, however, has outstripped enforcement capabilities. On the federal level alone there are five separate agencies with drug-related responsibilities, and coordination among them is poor. Overlapping jurisdictions and rivalries between federal and provincial law enforcement bodies further hamper

effective action. Lack of funds for expanded enforcement activities is also an obstacle that, because of the government's need to reduce its budget deficit, will not be easily overcome. [redacted]

Nevertheless, the US Embassy judges that enforcement activity is gradually becoming more effective. The Federal Police—the main antidrug force—recently reorganized and expanded its narcotics division. This unit, according to US Embassy officials, alone seized 94 kilograms of cocaine during the first 10 months of 1984, compared to 74 seized the previous year by all Argentine police agencies combined. The Border Police and customs authorities have intensified drug interdiction against operations, particularly chemicals used in cocaine refining. The government has also established an ad hoc interagency committee to coordinate drug enforcement. A more formal coordinating structure is awaiting presidential approval; if effectively implemented, we believe it could significantly enhance Argentina's overall antinarcotics effort. [redacted]

#### Official Corruption and Terrorist Links

Effective enforcement is also being hampered by official complicity in the drug business. [redacted]

[redacted] Argentine authorities privately admit knowledge of [redacted] activities but claim they lack enough hard evidence to prosecute successfully. There are indications that other federal deputies and some provincial police may be working with traffickers, and higher level corruption could appear if the Argentine drug trade develops further. [redacted]

A problem that afflicts some major cocaine-producing countries—cooperation between insurgent or terrorist groups and drug traffickers—does not appear to have

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developed in Argentina. Some unconfirmed reports allege that the Cubans and the leftist terrorist Montoneros are implicated in Argentine trafficking, but we doubt their veracity. Havana, we believe, wants to maintain good relations with Buenos Aires and probably would not jeopardize them through involvement in illicit narcotics. The Montoneros, for their part, are financially solvent and do not, in our view, need the extra money—or want the police attention—that would come from drug dealing. [redacted]

A greater potential for drug money to finance political activity in Argentina stems, in our view, from the extreme right. Former members of the military, along with elements of the civilian far right, could reforge links with Bolivian traffickers that were established during the Garcia Meza–Arce Gomez regime. We have seen no hard evidence that active or retired military personnel or rightist terrorists are currently involved in the drug trade, but there exists, in our view, a real possibility that in the future they could turn to narcotics to finance destabilizing activities against the Alfonsin government. [redacted]

**Outlook**

We believe Buenos Aires's prospects for containing the narcotics threat will hinge largely on the nation's overall political and economic health. Better economic conditions and a period of relative political stability would probably lead to a substantial improvement in Argentine enforcement capabilities. The political will to combat the problem exists, in our view, and Alfonsin is personally committed to taking action. Official corruption, while growing, is far from rampant and can probably be controlled. We believe, for example, that given adequate evidence the central government would prosecute drug-tainted individuals [redacted]

[redacted] The public is becoming sensitized to drug issues and appears to support a crackdown on narcotics trafficking. Thus, if the government spends more for drug enforcement over the next few years and is stable enough to establish a long-term program, we believe that Argentina can avoid the serious social and political ills that have afflicted South American countries more deeply enmeshed in the drug network. [redacted]

We are less optimistic about the situation if—as seems probable—Argentina continues its economic

decline and remains politically unstable. Notwithstanding Alfonsin's good intentions, we doubt that a government plagued by labor unrest, hyperinflation, a large budget deficit, and the threat of a military coup could effectively focus on drug enforcement. Under such circumstances official corruption would probably spread, traffickers and producers would take advantage of a more tenuous law-and-order situation to expand their activities, and domestic consumption probably would rise. Although it might take four to seven years before the problem reached crisis proportions, the end result would be Argentina's full integration into the South American drug empire. [redacted]

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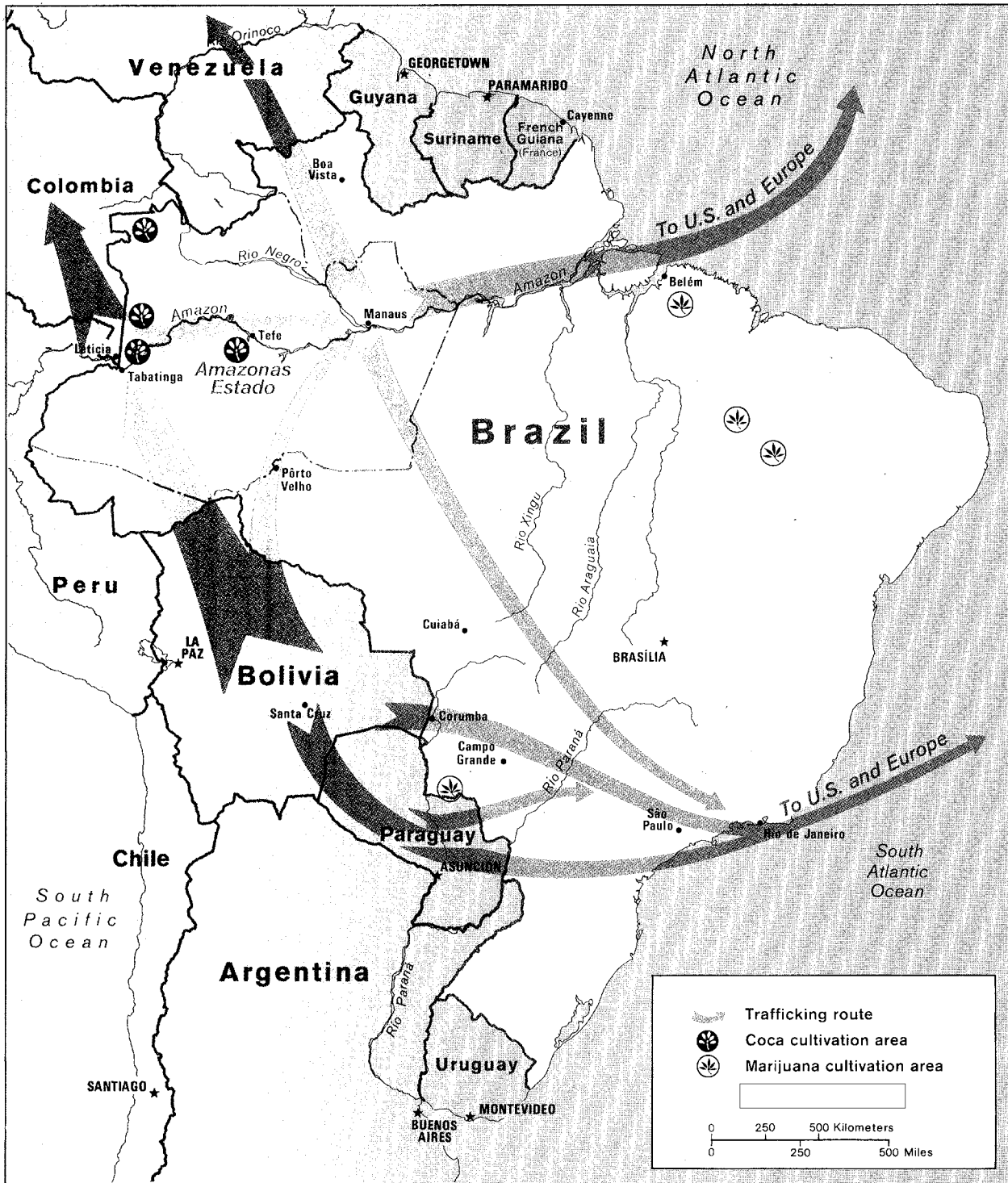
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**Brazil** [redacted]

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Brazil represents a fertile new frontier for traffickers. Intensified police pressure against the flourishing drug industry in Colombia and, to a lesser extent, Peru has given new impetus to trafficking in Brazil. Numerous drug kingpins have either relocated to Brazil or have significantly stepped up existing operations there. According to the US Embassy and the DEA, evidence of extensive coca cultivation and processing has surfaced during the last few years, and marijuana production has increased. [redacted]

**Cultivation.** At present there are no reliable statistics on marijuana and coca cultivation in Brazil. Marijuana production is concentrated primarily in the central and northeastern states. Brazilian police believe that most marijuana is sold in the domestic market, but some may be shipped to Caribbean countries, mixed with their production, and then sent to the United States. [redacted]

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Official and public concern over drug abuse and trafficking is growing, according to US Embassy reporting. Numerous articles in the press have called for increased governmental action to combat rising addiction and trafficking. The new civilian government's Justice Minister has promised a vigorous campaign against drug dealers. Police have successfully carried out three major enforcement operations since late last year. [redacted]

Coca is cultivated primarily along river courses in western Amazonas state. [redacted]

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[redacted] Peruvian and Colombian traffickers have encouraged local Indian populations to grow and harvest coca leaf. [redacted] coca cultivation, originally confined to small, isolated fields adjacent to the Colombian border, has grown to the extent that it now dominates agricultural activity along several stretches of the Amazon and its tributaries. [redacted] these areas as "completely saturated" with coca. [redacted]

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Despite heightened public awareness and official antinarcotics measures, drug trafficking in Brazil is likely to increase, in our judgment. Pressing political and economic concerns probably will divert official attention and resources from narcotics interdiction. Brazil's ill-equipped and undermanned police forces will face an uphill struggle against sophisticated and wealthy drug rings. At best, they may be able to slow the rate of growth of the illicit narcotics trade. [redacted]

**Processing.** Local authorities believe that Brazil's role in cocaine processing also is expanding. Cocaine base laboratories—primitive facilities that convert raw coca leaf into an intermediate product—were present at nearly every cluster of coca fields discovered by police during recent operations in western Amazonas state. Even more important was the discovery of several cocaine hydrochloride labs—larger, more sophisticated facilities capable of producing finished cocaine—and several stockpiles of cocaine-processing chemicals such as ether, acetone, and hydrochloric acid. Previously, Brazilian officials had believed that most such facilities were located near major cities such as Sao Paulo and Rio de Janeiro. [redacted]

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**Dimensions of the Problem**

Brazil presents enormous opportunities for narcotics dealers. Its climate is well suited for marijuana and coca cultivation. Its territory, moreover, is too vast to be patrolled effectively, and thick jungle canopy makes aerial detection of coca fields and processing facilities difficult. Chemicals utilized in the refining process to make cocaine are manufactured locally. The country's well-developed river transportation network facilitates trafficking. Finally, the large population presents a potentially lucrative target for cocaine dealers, who face a glut in the US and European markets. [redacted]

**Trafficking.** Brazil has long been a transit area for processed cocaine from Bolivia, Peru, and Colombia. Traffickers from those countries have taken advantage of lax controls on both sides of the borders with Brazil. According to US Embassy and DEA

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reporting, finished cocaine and cocaine base enters Brazil in cars, trucks, buses, and private aircraft flying to clandestine airfields, and on the country's extensive river system. It is then transshipped to the United States or Western Europe. Cocaine couriers from Peru, Bolivia, and Colombia often fly to the United States from Brazil rather than directly from their own countries, in an effort to avoid detection by US customs officials. Although trafficking networks in Brazil have been dominated primarily by foreigners, local authorities have noted an increase in the number of Brazilian participants in recent years.

- In "Operation Eccentric" early this year, police in six states netted scores of Brazilian, Colombian, Peruvian, and other traffickers; seized large quantities of processing chemicals and documentary evidence; and razed three processing laboratories.
- Police in Sao Paulo made a major arrest in June 1985, seizing pure cocaine valued by the Sao Paulo authorities at \$3.5 million and apprehending five suspects, including a well-known Bolivian trafficker.

[redacted]

Brazil also is attempting to improve cooperation with neighboring countries in narcotics interdiction. The US Embassy reports that the Brazilian police have made arrangements for intelligence sharing with Colombian authorities on trafficking activities in the border area. According to the Embassy, the Brazilians are confident that cooperation with Colombia will increase. Although they are less sanguine about prospects for collaboration with the Peruvians and Bolivians, they plan to hold discussions with representatives of those countries on joint methods for combating trafficking. [redacted]

**Consumption.** The US Embassy reports that internal consumption of illicit drugs is increasing in Brazil. Drug abuse there traditionally has involved marijuana and patent medicines, but the use of cocaine is now on the rise, according to the Embassy. Lower prices for cocaine and marijuana resulting from increased supplies have led to a sharp upswing in usage among both the lower and middle classes over the past year or so. [redacted]

**Government Response**

Brazilian antinarcotics enforcement efforts have increased over the past decade under successive military regimes and the new civilian government. In 1975 police destroyed 60.3 tons of marijuana. In 1983 they eradicated 1,037 tons, and last year they destroyed 3,000 tons. Seizures of marijuana rose from 363 tons in 1982 to 4,000 tons in 1984. Similarly, cocaine seizures grew from 43 kilos in 1975 to approximately 800 in 1984. [redacted]

The federal police have carried out three successful operations against drug dealers since late last year:

- Operating principally in Amazonas State, they mounted their largest eradication effort ever in late 1984, destroying more than 2 million coca plants and over 125 coca plantations.

**Outlook**

We believe that the Brazilian authorities may be able to slow the expansion of the illegal narcotics trade, but they will have to increase resources devoted to the problem significantly if they are to suppress it. The overall financial difficulties facing the new government probably will complicate attempts to allocate sufficient funds to launch a massive antidrug effort. Continued reliance on the police—now plagued with organizational problems, poor training, and limited resources—will continue to hinder detection and interdiction at both the federal and state levels. Moreover, legal prohibitions against wiretapping and plea bargaining will further restrict investigative and enforcement efforts. [redacted]

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In what we regard as a less likely, worst case scenario, the narcotics problem might well become acute if Brazil's economic and political situation deteriorates sharply. Economic deterioration also would spur the trend among backlands peasants toward substitution of coca for other crops. Official drug-related corruption, apparently not widespread to date, probably would increase sharply. In addition, in a worsening economic and political climate, Brazil could experience a resurgence of terrorist and guerrilla movements. Such groups might establish links with narcotics traffickers, as insurgents have done in other countries. [redacted]

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Ecuador [redacted]

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For years, Ecuadorean officials did not regard the growing drug trafficking in the region as posing a serious threat to their country's basic institutions. Recently, however, they have initiated tentative efforts to halt trafficking and cultivation. The assassination of the Colombian justice minister by drug traffickers in April 1984 and the ensuing war against drugs there served to sensitize the Ecuadoreans. The realization that Ecuador provides a refuge for traffickers fleeing Colombia, together with growing concern about domestic drug abuse, also helped persuade officials in Quito of the need for action. Coming to office last August, President Febres-Cordero has moved swiftly to mobilize government resources against the traffickers. His government is actively pursuing a narcotics interdiction and eradication program to combat its nascent coca cultivation and trafficking problem, but will require substantial foreign assistance to sustain a successful campaign. [redacted]

**The Nature of the Problem**

Ecuador traditionally has served as a natural land bridge for coca products moving from Peru and Bolivia to Colombia for final processing and distribution. Security along Ecuador's porous borders is inadequate and traffickers are able to move their contraband with little risk, according to the United States, Embassy. DEA estimates that 4 to 6 tons of cocaine paste, cocaine base, and hydrochloride transit Ecuador annually. Some 75 percent of the coca derivatives are destined for Colombia, while the remainder is processed in local laboratories and then shipped to markets in the United States, Canada, and Europe, according to the Embassy. [redacted]

Coca has been grown in Ecuador for at least the past four years, but recent discoveries of widespread cultivation—particularly in the remote jungle region centering in Napo Province and running along the border with Colombia—have caused DEA to rank the country as a major narcotics producer. DEA estimates that 1,000 hectares of coca were under cultivation nationwide in 1984, with an average yield of 1,000

kilograms per hectare. The potential amount of cocaine hydrochloride that could be produced from this crop is estimated at 2 metric tons. A government eradication effort earlier this year that led to the discovery of at least 2,000 hectares—and perhaps as much as 5,000 hectares—of cultivated coca suggests that these estimates probably are understated. [redacted]

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No opium cultivation has been detected and marijuana production is minimal, according to the Embassy. Ecuadoreans rely on Colombian marijuana for domestic consumption because it is cheaper and of higher quality. [redacted]

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Unlike Bolivia, coca growers are not well organized, according to the US Embassy. A major reason for this presumably is the large percentage of Colombians and Peruvians who reportedly own Ecuadorean coca plantations. Because of the continuing crackdown by Colombian authorities, as well as the ideal growing conditions and relatively lax enforcement procedures in Ecuador, we believe that the number of foreigners involved in cultivating and processing coca in Ecuador is likely to increase. [redacted]

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**Coca Trafficking**

In contrast to coca growers, domestic coca traffickers are well organized and often participate in interrelated and mutually supportive networks. The Mayon Jurado clan is illustrative of how a large Ecuadorean trafficking organization operates. Aquilino Mayon Jurado and his brothers transport 300 to 500 kilograms of cocaine base each month, [redacted]

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after purchasing cocaine base from extended family members in northern Peru. They transport the cocaine to their operations center in southwestern Ecuador by speedboats, which are too fast for either the Peruvian or Ecuadorean Coast Guard to intercept. The family also uses the Payana Islands, near Ecuador's southernmost coastline, to store cocaine before

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moving it via small boats to larger fishing boats waiting in the open sea. The cocaine is then transported to such coastal ports as Posorja, Guayaquil, or Manta [redacted]

Traffickers also are involved in purchasing legitimate businesses to cover their operations and to facilitate money laundering. For example, Victor Hugo Reyes, a major trafficker who operates in Loja Province, owns two sugar mills and a plywood company, [redacted]

[redacted] To assist in laundering his money, Reyes formed his own bank in 1983, [redacted]

**Trafficker/Terrorist Links**

We have not been able to substantiate Febres-Cordero's claims that the Alfaro Vive, Carajo! (AVC) terrorist group is involved in drug trafficking. The US Embassy has received unconfirmed reports of AVC involvement in coca cultivation in Esmeraldas Province, and we do not rule out this possibility. Nevertheless, the fact that Esmeraldas is not a major coca-producing region, coupled with ongoing efforts by the AVC to generate revenue through bank robberies, kidnapping, and extortion, suggests that the group has not yet become involved in trafficking. [redacted]

[redacted]

**Government Interdiction and Eradication Efforts**

Under Febres-Cordero the government has demonstrated a strong commitment to drug eradication and interdiction. Heading this effort is a national drug coordinator, Army Col. Mario Montesinos, who supervises enforcement activity carried out by government agencies. [redacted]

The workhorse of the eradication and interdiction effort is the National Police Narcotics and Interpol Service, a unit of the Ecuadorean National Police. The National Directorate for the Control of Illicit Narcotics, which is the enforcement and intelligence gathering arm of the Attorney General's Office, has tended to compete with the police for control of drug enforcement. The US Embassy reports that Colonel

Montesinos plans to eliminate the directorate's police functions and limit it to drug prevention programs. The Border Interdiction Agency of the Customs Military Police traditionally has been ineffective in drug enforcement due to corruption and apathy, but Montesinos is trying to revitalize the agency. [redacted]

Last September the government launched its first coca eradication attempt—an 11-day mission into Napo Province labeled "Operation Santiago." Contingents from the Army, which provided helicopter support, joined the National Police and DEA in destroying approximately 30 hectares of cultivated coca and eight coca paste laboratories. They also arrested a number of Colombians and Ecuadoreans. The security forces found plants of both the Colombian and Peruvian leaf variety averaging 6 to 8 feet in height, but with some as tall as 12 feet, among the largest in South America. [redacted]

"Operation Santiago II" began last November and covered an area farther east along the Putumayo River on the border with Colombia. It resulted in the destruction of 83 hectares of mature coca and 19 coca paste laboratories, according to DEA. In February a third eradication campaign was mounted in the Putumayo river area that destroyed 152 hectares of cultivated coca and 18 coca paste laboratories. In addition, 995 grams of cocaine paste were seized and 19 Colombians arrested, according to US Embassy and DEA reports. [redacted]

In March, the largest cocaine seizure in Ecuadorean history was made when an Interpol officer during a routine highway interdiction operation in Esmeraldas Province discovered 640 kilos of cocaine hydrochloride in a truck. The Embassy reports that this was the last of four shipments from Colombia and was to have been consolidated with the earlier shipments and flown out of Ecuador to the United States. [redacted]

**Other Antinarcotics Measures**

In Ecuador as elsewhere pervasive corruption among law enforcement and judicial officials is a serious impediment to countering drug trafficking effectively.

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Senior police officials have been particularly susceptible to corruption as have lower court judges. Indeed, the Supreme Court concluded in a study in 1983 that low salaries for court officials, coupled with a poor record of convicting judges for accepting bribes, greatly complicate efforts to eliminate corruption in the judicial system. [redacted]

network that supports their operations in Colombia. Cracking down on Ecuadorean coca traffickers will be more difficult because they have well established family support nets and have been in business for many years. Curbing domestic coca cultivation and conversion may pose the greatest challenge because of the lure of large profits. In any event, Ecuadorean officials will remain heavily dependent on US financial and technical support as they press forward with antinarcotics measures. [redacted]

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The Febres-Cordero administration is working diligently to control this problem, according to the US Embassy. Law enforcement officers linked to traffickers are being removed. In addition, the President has vowed to investigate members of Congress believed to be involved with the traffickers.

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[redacted]

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Febres-Cordero has indicated that he is willing to sign an extradition treaty with the United States that would include the extradition of US and Ecuadorean citizens charged with narcotics-related offenses. Ecuador probably will conclude a similar treaty with Colombia this year. In addition, both countries have signed a protocol calling for increased cooperation in exchanging information on traffickers, conducting joint police operations along the border, and establishing import controls on precursor chemicals.

[redacted]

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**Outlook**

We believe that there are a number of factors that may allow the government to control the coca trafficking and cultivation problem before it reaches the proportions of Colombia's and Peru's. Febres-Cordero's strong commitment to drug enforcement, coupled with the successful interdiction campaigns in Napo Province, are positive signs. The fact that there is no traditional indigenous use of coca and that only a small number of peasants rely on it as a cash crop, should lessen the resistance to government eradication programs. Moreover, Bogota's willingness to cooperate against the traffickers will facilitate border interdiction operations. [redacted]

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In our judgment, evicting Colombian plantation owners from the border area probably is feasible because they operate primarily within a narrow strip in Napo Province along the border with Colombia. Also, they do not appear to have developed the kind of sophisticated intelligence, trafficking, and processing

Narcotics Activity



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Paraguay [redacted]

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Paraguay has long served as a transshipment route for cocaine produced illicitly in neighboring Bolivia. Corrupt Paraguayan military and civilian officials have played key roles in expediting this traffic. No coca cultivation takes place in Paraguay, according to US Embassy reporting, [redacted] processing facilities for cocaine have been established at several locations on Paraguayan soil. A limited amount of marijuana is cultivated illegally by Paraguayan farmers for domestic consumption and export. [redacted]

locations inside Paraguay, with the connivance of local military and civilian officials. [redacted] cocaine-processing laboratories had been established near the town of San Estanislao on land owned by government officials. The US Embassy reported in late 1984 that the information on processing inside Paraguay was still unconfirmed, but in our view there is a strong likelihood that such facilities have been established. [redacted]

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According to the US Embassy, narcotics trafficking in Paraguay has increased dramatically since the early 1980s, following a lull that began in the mid-1970s. The resurgence appears to be partly a result of the scaling down of a large Paraguayan-Brazilian hydroelectric project that had been a major source of revenue for Paraguay in general and for corrupt officials in particular. Government measures taken in neighboring countries against narcotics traffickers also help account for the rise in trafficking in Paraguay. [redacted]

**Marijuana Cultivation.** Illicit production of marijuana provides subsistence income for hundreds of tenant farmers in eastern Paraguay, according to the US Embassy. Paraguayan government statistics indicate that almost 4,000 tons of marijuana were harvested in 1984—a 22-percent increase over the 1983 level. The cultivation of marijuana has replaced fiber and food crops in some areas. Some of the marijuana is consumed locally, but most reportedly is exported to Brazil and Argentina. [redacted]

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**Dimensions of the Drug Problem**

**Trafficking.** Paraguay's role in South American cocaine trafficking stems from the country's contiguous border with coca-producing Bolivia. Some traffickers in Bolivia use small planes to transport narcotics into Paraguay's thinly populated Chaco region, [redacted] while some coca reportedly is shipped downriver from Bolivia to the Paraguayan town of Bahia Negra. Narcotics are then transhipped to Argentina and Brazil, and ultimately to the United States and Western Europe. Both cocaine and marijuana pass into Brazil through the border towns of Puerto Presidente Stroessner and Pedro Juan Caballero. In addition, according to the US Embassy, cocaine couriers increasingly are using Asuncion's international airport. [redacted]

**Consumption.** Drug use historically has not been widespread in Paraguay. Reports from a number of sources suggest, however, that consumption of both marijuana and cocaine may be increasing. According to the US Embassy, marijuana consumption is concentrated in the lower socioeconomic classes, while cocaine use is limited almost exclusively to the upper class. [redacted]

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**Official Corruption**

Paraguayan military and civilian officials historically have participated both directly and indirectly in a wide range of contraband activities, and this has increasingly included narcotics trafficking over the last few years. [redacted] leading military officers provide protection for narcotics operations and that some engage directly in narcotics trafficking ventures themselves. According to the US Embassy, major private traffickers are [redacted]

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**Processing.** US Embassy, DEA, [redacted] have reported in recent years that processing of Bolivian coca products is taking place at a number of [redacted]

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immune to prosecution because of their political, financial, and family connections with Paraguayan officials. [redacted]

[redacted]

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[redacted] blocked for several months the extradition to the United States of heroin kingpin Auguste Ricord, who was arrested while using Paraguay as a major transshipment center in the 1970s. Since 1983 the Embassy has received reports it regards as reliable indicating [redacted] furnishes protection for traffickers of cocaine and cocaine-processing chemicals. According to Embassy and [redacted]

At US urging, Paraguayan judicial authorities have ordered that the chemicals be destroyed. The government, however, has delayed taking action—an indication that influential Paraguayans associated with narcotics traffickers may be trying to block destruction. Paraguayan proposals that the United States purchase the chemicals have been rejected by Washington, and the issue has become a significant bilateral irritant. According to the US Embassy, Paraguay may resolve the problem by returning the chemicals to the West German company that manufactured them. [redacted]

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**Government Antinarcotics Efforts**

The National Department of Narcotics and Dangerous Drugs (DNNDP), which is part of the Ministry of Interior, is charged with controlling narcotics in Paraguay. High-level DNNDP officials receive training from DEA. The DNNDP's capabilities are severely restricted by a lack of adequate funding and by the widespread corruption among government and judicial officials, which enables well-connected traffickers to avoid arrest and prosecution. The DNNDP is most effective when investigating low-level, relatively unimportant cases, according to the US Embassy. [redacted]

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[redacted] The US Embassy has received a steady stream of reports since late 1983 indicating [redacted] provides protection to cocaine traffickers. [redacted]

**Outlook**

Although President Stroessner may take limited steps against drug trafficking in response to Western pressure, we believe he would crack down seriously against traffickers only if he became convinced that domestic narcotics consumption were on the rise and could lead to social problems. No one other than Stroessner has the power to curb the influential generals and others who profit from Paraguayan trafficking. In our judgment, moreover, it would be difficult even for the President to take action against these powerful people—particularly General Rodriguez. Stroessner did move against narcotics

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**Seizure of Cocaine-Processing Chemicals**

In September 1984, Paraguayan customs officials at Puerto Presidente Stroessner impounded a large shipment of hydrochloric acid, acetone, and ether—chemicals used in the production of cocaine. According to the US Embassy, the amounts seized, reportedly totaling some 140 tons, far surpass Paraguayan medical or industrial needs. The Embassy reported that the chemicals came from West Germany and were being transhipped through Brazil and Paraguay to Bolivia. The intended recipient in Bolivia, [redacted] was the drug ring headed by Roberto Suarez. [redacted]

[redacted]

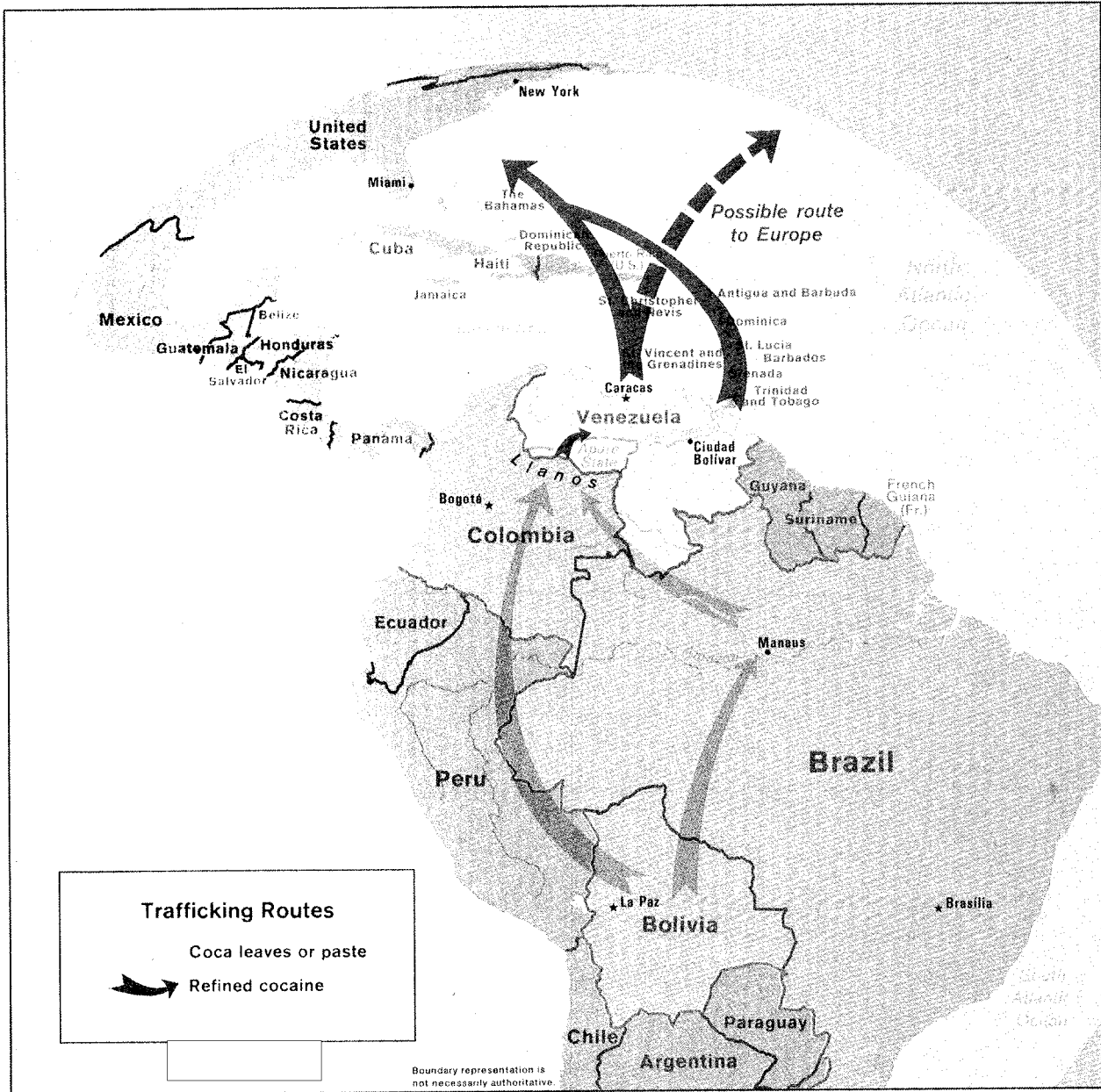
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traffickers in the 1970s at the time of the Ricord case  
because of heavy international media attention [redacted]  
[redacted] but the  
array of people now involved in drug trafficking in  
Paraguay would pose a major obstacle to any serious  
new effort to bring the problem under control. [redacted]

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## Venezuela [ ]

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Venezuela has become an important drug trafficking bridge between Colombia and the United States in recent years. Moreover, evidence of indigenous drug cultivation and cocaine processing is beginning to surface, and conditions for a flourishing drug industry clearly are present. Faced with rising cocaine consumption at home, the Lusinchi government has launched a vigorous drug control campaign. Nevertheless, strict enforcement of its tough new antidrug law will be hampered by interagency rivalries, inadequate resources, and official corruption. Although cooperation with neighboring countries—especially Colombia and Brazil—should aid Caracas's efforts to reduce the inflow of drugs and refining chemicals, we believe that Venezuela will continue to be a major transshipment center. [ ]

**The Venezuela Springboard**

Until recently, Venezuela had not been seriously affected by the narcotics epidemic in the Andean region. The discovery of a shipment of cocaine worth approximately \$300 million in a private plane at an airport near Caracas in September 1983, however, underscored to Venezuelan leaders the extent to which their country had become a transshipment center. During the following six months, raids and confiscations netted more than 1.6 metric tons of cocaine—eight times the 1982 total. [ ]

Traffickers encounter fewer obstacles bringing drugs into Venezuela than taking them out. [ ]

[ ] raw coca leaves are harvested in Bolivia and Peru, converted to a coca paste and base, and brought to Colombian refineries, many of which are situated in or near the llanos region that stretches across Colombia's frontier with Venezuela. In this remote, sparsely inhabited, and essentially unpoliced area, traffickers can cross an unguarded border nearly 600 miles long with impunity. On the Venezuelan side of the border, there are no control towers for monitoring air traffic, and private aircraft can use hundreds of crude landing strips. The governor of the Venezuelan state adjoining the Colombian llanos has told US officials that the state capital, San Fernando,

located on the upper Orinoco River, is becoming an important center for Colombian-based drug trafficking. [ ]

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There are multiple avenues for funneling cocaine out of the country. Shallow-draft boats transport it from the upper Orinoco River to Ciudad Bolivar, where they link up with ships bound for Europe and the United States. Commercial airlines operate daily from Venezuela's six international airports to major US cities, including Miami and New York.

Alternatively, small aircraft operating from the interior can easily reach the offshore Venezuelan island of Margarita or such Caribbean islands as Aruba and Trinidad and Tobago for refueling en route to the United States. Trinidad, in particular, is known to the traffickers as the turnaround because small planes frequently stop there, unload their contraband, and return directly to the mainland, according to the US Embassy. Also, reports in the local press identify San Jose de Amacuro in the delta area of the Orinoco River—a short distance from Trinidad and Tobago—as a major trafficking crossroad. [ ]

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Drug smugglers also take advantage of Venezuela's 1,750-mile-long coastline. It is serviced by six major and 17 minor official ports and poses serious surveillance and enforcement problems for the Venezuelan Coast Guard. [ ]

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traffickers frequently make airdrops along Venezuela's northern shore where mother ships retrieve them. [ ]

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In addition to cocaine, which accounts for nearly 85 percent of the value of the country's drug trade, the DEA reports that Venezuela also has become a major transshipment point for chemicals used to refine coca into cocaine base and hydrochloride. When the Colombian Government began controlling the importation of ether and acetone in 1983, Colombian

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traffickers apparently turned to Venezuelan intermediaries. To stem such activity, the Lusinchi government began last November to require importers of refining chemicals to obtain a government permit. In a 90-day period following this move, Venezuelan authorities impounded over 230,000 gallons of ether and acetone. These chemicals—mainly Brazilian in origin—could have been used to produce over 48 metric tons of cocaine hydrochloride, according to DEA analysts. In all, an estimated 500 metric tons of precursor chemicals were shipped from Brazil to Venezuela in 1984. As part of a joint antidrug effort initiated late last year by Brazil and Venezuela, Brasilia now reports directly to Venezuelan authorities on this activity and is pushing new legislation to control trade in drug-processing chemicals. [redacted]

#### The Domestic Drug Scene

**Production and Processing.** According to DEA, coca cultivation was confirmed for the first time on 5 March 1985 when the Venezuelan National Guard reported finding approximately 12,000 coca bushes, intercropped with banana and yucca plants, growing on about 15 acres of land located in a remote region of the Perija Mountains near Venezuela's western border with Colombia. This discovery lends credence to reports that Colombian traffickers are expanding coca cultivation outside of traditional growing areas. [redacted]

According to press reports, in July 1984 the Venezuelan intelligence service shut down a cocaine-processing laboratory allegedly operated by Colombian trafficker Gustavo Duran Batista. In November 1984 the National Guard, using information supplied by DEA [redacted] seized a cocaine-processing site containing 1,300 drums of acetone, 200 drums of ether, and 130 drums of hydrochloric acid, as well as cocaine-processing apparatus, in the western state of Tachira near the Venezuelan-Colombian border. In March 1985 the National Guard raided an operational cocaine-processing laboratory in Apure and seized 850 grams of cocaine following the arrest of Pedro Jesus Ramirez. [redacted]

**Consumption.** Rising consumption, rather than large-scale production or processing, remains Venezuela's most important indigenous drug problem. Although

estimates of the number of drug offenders in Venezuela vary widely, a drug treatment adviser to the Youth Minister believes users may number up to 5 percent of the population, or about 750,000 people. Reflecting the fact that drug abuse is especially acute among teenagers, a survey by the Youth Ministry of drug use in high schools indicated that 55 percent of students in Caracas had tried cocaine at least once, while 10 percent claimed to be regular users. Even if the survey overestimates the problem, the results corroborate other reports that teenage cocaine use is on the rise. [redacted] the Caracas Psychiatric Hospital's drug treatment division says that the majority of his cases involve cocaine. Most of his patients are youths, and the number of cases handled by his unit nearly doubled between 1982 and 1984. In addition, there is mounting evidence of widespread drug abuse among armed forces personnel. [redacted]

**Commercial and Economic Implications.** A report by the Venezuelan Congress indicates that the country's burgeoning drug business amounts to \$1 billion a year—roughly equivalent to the combined value of all nonpetroleum exports. Press reports set the figure at over \$3 billion. Moreover, Venezuela apparently has become an important banking center for South American drug traffickers in need of money-laundering facilities, but there are no reliable estimates regarding the amount of money involved. [redacted]

The growth of drug trafficking in Venezuela coincides with a severe downturn in the country's economic fortunes due to the world oil glut of recent years. Economic problems associated with shrinking oil revenue—which accounts for more than 90 percent of the country's export earnings—have increased the incentives for Venezuelans to become involved in the lucrative drug trade. By the same token, the prolonged recession is hampering the government's ability to allocate the funds necessary for an effective drug enforcement effort. [redacted]

#### Government Efforts

Since assuming office in February 1984, President Lusinchi has responded to the growing problem by

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Accused drug traffickers (left to right) *Ciro Martinez, Edgar Diaz, and Rick John Kaminsky* are awaiting trial in an Anzoategui jail.

taking several significant steps to strengthen Venezuela's counternarcotics capabilities. Most notably, he has established a multiagency drug intelligence center, concluded a treaty with Colombia aimed in part at stopping cross-border drug movements, and shepherded through Congress a strict antidrug law. [redacted]

The legislation for the first time defines drug offenses, assigns penalties of up to 30 years in prison for offenders, breaks new legal ground by incorporating drug offenses into the military code, and creates the legal status of "witness for the prosecution." The new law should help authorities combat the spillover of trafficking activity from Colombia. The law also gives magistrates the option of permanently expelling foreigners convicted of drug offenses. [redacted]

The new antidrug law was exercised for the first time in early June 1985 when two Venezuelans—Ciro Martinez and Edgar Diaz—and an American, Rick John Kaminsky, were arrested and charged with drug smuggling following an investigation that began in February 1984 after 36 small airplanes were captured at various unregistered airstrips in Venezuela. According to press accounts, Martinez, known internationally as the "Venezuelan drug czar," is reputed to have strong ties with Colombian traffickers. [redacted]

Law enforcement efforts against the traffickers have been hampered somewhat, however, by turf fighting among the three security force units that share responsibility for drug enforcement. The Technical Judicial Police, which is responsible to the Ministry of Justice, is the lead agency. It carries most of the drug caseload, but its 25-member antidrug unit in Caracas is severely understaffed and has no field offices or local agents to share the burden. Justice Minister Manzo's dissatisfaction with the performance of the judicial police recently caused him to revamp its entire senior leadership, and new director Pedro Torres Agudo is committed to a vigorous antidrug effort, according to the US Embassy. [redacted]

The National Guard has no specific drug enforcement unit, but, as a multipurpose law enforcement agency, conducts raids and other counternarcotics operations and maintains records on drug seizures. Under Maj. Gen. Alfredo Sandoval Hernandez—reportedly a close Lusinchi confidante—the National Guard has assumed an increasingly important role in controlling drug traffic, especially along the Venezuela-Colombia border. Cooperation between the Venezuelan and Colombian armed forces is the centerpiece of the two

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countries' joint program to curtail drug movements. Military units on both sides of the border share radio-frequencies, and commanders at the battalion level and below meet regularly to exchange information.

[redacted]

The Division of Intelligence and Security Services is charged with intelligence collection on national security matters and investigation of crimes against the state, but also is responsible for investigating the illegal transfer of drugs. Because it suffers from a lack of both personnel and an independent indictment authority, it is forced to coordinate all prosecutions with its bureaucratic archrival, the judicial police. The public image of the intelligence and security services, which are housed within the Ministry of Interior, has been tarnished because of superficial resemblances to the "political police" that served past Venezuelan dictatorships, according to the US Embassy.

[redacted]

The Lusinchi government has augmented its drug enforcement efforts by relying on the Ministry of Youth to give greater attention to drug treatment and drug education. In keeping with the 1984 antidrug law, the government has established several treatment centers and plans to open others. It also has established a youth foundation to promote sports and recreational activities as an alternative to drug use. Despite these efforts, authorities acknowledge that much remains to be done. For example, Venezuela has the capacity to treat only about 200 drug users on an inpatient basis, and its public elementary schools have no regular drug education programs.

[redacted]

The government's antidrug efforts are impeded by official corruption. Venezuelan drug enforcement officers told US officials last January that members of the three security forces involved in drug enforcement, as well as several judges, were accepting bribes from an organization involved in supplying chemicals to cocaine-processing laboratories in Colombia.

[redacted]

The potentially most serious aspect of drug-related corruption involves the military. According to the US Embassy, Venezuelan authorities believe a retired Navy lieutenant, who is now a fugitive, may have headed a trafficking ring that was responsible for the

huge cocaine shipment seized near Caracas in September 1983. Police are seeking a retired Air Force major in connection with a sizable cocaine discovery in February 1984. Justice Minister Manzo publicly has linked this officer to the trafficking organization of Colombian drug kingpin Carlos Lehder. The murder of a member of the judicial police who was probing allegations of police involvement in cocaine smuggling, apparently by members of his own force, lends credibility to the widely held belief that traffickers have bought off some police officials.

[redacted]

**Information Gaps**

In recent months, the Lusinchi government has reported a growing number of drug seizures, but trafficking in Venezuela may be more extensive than local officials acknowledge. The Intelligence Community's ability to monitor narcotics-related activity is limited by the absence of consistent, detailed special intelligence reporting on trafficking in the llanos region of Venezuela or Colombia. We also lack comprehensive imagery coverage of likely coca production and processing areas in the region along Venezuela's border with Colombia. Improved collection of information about drug trafficking networks in Venezuela and their possible links to Colombian traffickers and insurgent groups also is a priority. In addition, the extent of money-laundering services performed wittingly or unwittingly by Venezuelan banks remains unclear.

[redacted]

**Outlook**

The Venezuelan Government has several advantages as it grapples with the growing drug problem. In contrast to other Andean countries, especially Bolivia and Peru, there is no deeply entrenched tradition of drug cultivation or use. Consequently, Venezuela has no politically powerful coca growers' associations to deal with or large rural populations economically dependent on or culturally attached to coca or cannabis production. We believe the Lusinchi administration's antidrug measures will help impede the formation of an indigenous cocaine-processing industry. The 1984 antidrug law will serve as a

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deterrent to domestic drug dealing, and the government's drug-education program should slow the growth of domestic consumption.

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Nevertheless, the spillover from the crackdown in Colombia will continue to challenge the Lusinchi administration's ability to respond. If the Betancur government and its successor in Colombia continue a full-scale effort against domestic traffickers, Venezuela will become increasingly attractive not only for transshipment but also for cocaine production. Should Colombian-based drug organizations succeed in insinuating themselves into the local economies of Venezuela's border states—an effort that already is under way—the government's task will be magnified significantly.

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