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for information.
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Mr Powell

cc: Sir Robert Armstrong
Intelligence Co-ordinator

International Drug Trade

The Joint Intelligence Organisation have recently received copies of two papers*, one Canadian and one American, about the international drug trade. Both naturally enough view the problem from a North American perspective, with little reference to the threat to Europe. But together they provide a good deal of material about the drug trade, which may be helpful as background to any assessment of the threat we face here.

*not
attached

Size of the drug trade

2. No reliable figure for the total value of the global illegal drug trade is given, but it could be of the order of several hundred billion US dollars. In 1983 the estimated value of the trade in Canada was C\$9.6 billion, an increase of 20 per cent from 1981 and more than the total sales of General Motors in that country. The Canadians estimate that their drug-using population is 20,000 for heroin, 250,000 for cocaine and several million cannabis smokers. The cost to society, through diversion of funds to buy drugs, associated criminal activity, costs of law enforcement and addition^c treatment, loss of productivity etc, is huge. In many small, undeveloped producing countries the business is of such a size that it can buy influence to undermine law enforcement efforts. Some countries face serious economic problems which may constrain their ability to mount a campaign against drug production. Peasant farmers receive on average less than one-hundredth of one per cent of gross drug revenues (which can still be a good income in local terms); dealers thus have plenty of scope to increase payments to farmers in order to combat Governments' crop-substitution campaigns without greatly reducing their own enormous profit margins.

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Growth of crop production

3. According to American estimates, opium, coca and marijuana production increased significantly in 1984. The opium harvest in the Golden Triangle area of Thailand, Laos and Burma was up by more than 30 per cent. It may be lower this year, but because of poor weather rather than Government efforts against drug growing. Opium yields along the Afghanistan/Pakistan border also increased. Mexico's smaller opium output nearly doubled in 1984. Colombia - by far the largest marijuana producer - and Jamaica have stepped up their eradication efforts and their outputs may be about to decline, but the Americans believe that increased production of marijuana in Mexico and Belize, and perhaps also in Venezuela, will offset this. Peru's coca production has dramatically increased. Bolivia and Colombia are big producers. Ecuador has recently gone into production and the Americans are worried about signs of cultivation in the Amazon region of Brazil, where the potential for coca production is enormous.

Outlook

4. Both papers see the drug trade as a growing problem, with new sources of production and new transit countries emerging. The Americans believe that production of all drug crops will continue to increase, at least in the short term. The present glut of cocaine on the international market is likely to continue for the foreseeable future. It is not mentioned in the American paper, but a CIA visitor has told us that his Agency believes that, having saturated the North American market, cocaine dealers are now gearing up to attack the Western European market, in particular the UK, in a much larger way than before. We have asked the CIA for the background to this argument; it may be speculation rather than intelligence, but it is clearly a point to watch.

Instability and Terrorism

5. Both the Americans and the Canadians stress the potential of the drug trade for destabilising producer or transit countries. In neither paper is the case well documented. Three main threats are identified: (a) the capacity of the drug traders to buy influence over Government policies; (b) the link between

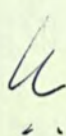
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drug dealing and insurgent movements, which sometimes derive a large part of their income from drugs (eg in Burma); (c) the growing problem of drug abuse in producer/transit countries. The question of a link between drugs and terrorism is touched on but, as the American paper notes, current evidence indicates that urban terrorist groups are much less involved in drug trafficking than insurgents (who often operate in drug growing areas). The Americans are, however, inclined to argue that violence perpetrated by drugs syndicates against officialdom is terrorism rather than "mere criminal activity".

Action

6. Both papers agree that while more Governments are now taking or threatening to take stricter action against the drug trade and some significant gains have been made, the lack of a co-ordinated multinational approach allows drug traders to circumvent efforts against them. Both call for a multinational approach.


PERCY CRADOCK

26 July 1985

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