THE NARCOTICS SITUATION IN SOUTHEAST ASIA: THE ASIAN CONNECTION

REPORT OF A SPECIAL STUDY MISSION TO SOUTHEAST ASIA
DECEMBER 27, 1974–JANUARY 12, 1975

APRIL 3, 1975

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FOREWORD

Hou se of Representatives, 
Committee on International Relations, 

This report has been submitted to the Committee on Foreign Affairs by Hon. Lester L. Wolff, Hon. J. Herbert Burke, and Hon. Morgan F. Murphy, who conducted a special study mission to Southeast Asia between December 27, 1974 and January 12, 1975.

The findings in this report are those of the special study mission and do not necessarily reflect the views of the membership of the full Committee on International Relations.

Thomas E. Morgan, Chairman.

(iii)
Hon. THOMAS E. MORGAN,
Chairman, Committee on International Relations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: There is transmitted herewith a report of a study mission conducted by Representatives Morgan Murphy, J. Herbert Burke, and Lester Wolff, members of an ad hoc subcommittee on international narcotics control. The observations related in this report are a product of our delegation's visit to Southeast Asia from December 27, 1974, to January 12, 1975, which included meetings with narcotics control officials in Japan, South Korea, Taipei, Hong Kong, and Thailand. We were also able to meet with individuals who have direct knowledge of the narcotics trafficking operations in Southeast Asia. This study was made as a continuing review of the same problem that was the subject of two previous investigative missions in the past 3 years by the ad hoc subcommittee on international narcotics control to this part of the world.

The international trafficking of narcotics has changed significantly since we were in Southeast Asia a year ago; this report will focus on the new conditions which we found. The report will not try to review the background to the pattern of narcotics cultivation, trafficking, and abuse in this part of the world, as that is well documented in other reports presented to this committee. This report will, however, emphasize new narcotics patterns, as well as the constructive programs currently being followed to combat the problem. We will also try to recommend policies which we feel would be basic to the interest of the United States and the world as a whole, and we will attempt to reevaluate programs now in force to have them conform to these basic interests.

The thrust of this report will be an in-depth study of the effectiveness of our international narcotics control programs, and more specifically, of our efforts to stem the recent flood of heroin that ends up in the veins of American citizens.

We want to express our thanks and appreciation to the Department of State and the Drug Enforcement Administration for the advice, cooperation, and assistance extended to us by their representatives at home and abroad. We also want to register our appreciation to the numerous foreign law enforcement officials and other contacts who have been helpful over the past several years in assisting us in gathering accurate, factual, and self-critical appraisals of the international trafficking picture.

We feel that this trip is the most constructive investigation thus far undertaken by the ad hoc subcommittee into the international narcotics control field. We believe the information gathered points toward new approaches to be pursued which would have a dramatic
and constructive effect on curbing the supply of illicit opium and heroin in the world. It is our hope that this report and the information and recommendations contained herein will be of value to the members of the International Relations Committee and the Congress as we continue our work to solve the heroin problem in the United States, as well as provide answers to the worldwide scourge of drug abuse.

Sincerely,

LESTER L. WOLFF,
Chairman, Ad Hoc Subcommittee on International Narcotics Control.

J. HERBERT BURKE.
MORGAN F. MURPHY.

April 3, 1975.
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International narcotics production, trafficking and consumption in the Southeast Asia area cannot be understood simply by examining each country's activities. We no longer feel that the best method of analyzing the drug problem is through a country by country breakdown. A much more useful analysis can be made on a functional basis: production, refining, trafficking and consumption. Significant changes have occurred in Southeast Asia in each of these facets of narcotics traffic and abuse; consequently, current programs must be modified to respond to these changes. One cannot deal with the problems associated with heroin addiction in a constructive way without taking into account the source of the heroin and the pattern involved in its reaching the addict. Similarly we are aware that enforcement, without a complementary study of causative effect and a program of rehabilitation and treatment, is an incomplete effort. No final solution to the problem of drug abuse is possible until all facets have been addressed.

This report will deal with the issue of international narcotics control on a functional basis, and we will bring the information gathered from individuals in the various countries into the report at the appropriate point. A country by country statistical analysis concerning expenditures and enforcement efforts is found in the appendix.
INTRODUCTION

Heroin addiction is certainly one of the major health and crime problems facing this country. Our hopes for turning the corner on this scourge have been dimmed in recent months with the resumption of poppy planting in Turkey and a massive influx of “brown heroin” from Mexico. Heroin addiction is no longer a problem confined to the ghettos of our major cities or the affluent suburbs, but is a menace facing even the smallest towns of our nation. We can no longer focus our efforts on one major trafficking syndicate, organized crime, or one major route, because the heroin which ends up in the veins of our young people comes from a variety of areas, passes through diverse hands, and reaches the United States after flowing through a multiplicity of different channels. Even the “brown heroin” which is flooding the Western and Southwestern U.S. market is not restricted to poppies grown in Mexico, as was previously thought, but now includes substantial quantities of Asian opium. While some previously believed that our concern over the huge illicit crop grown in the Golden Triangle could be confined to its effect upon our military and civilian personnel in the area, this supposition is no longer valid.

Although it is difficult to pinpoint the origin of the opium which makes its way into the United States, we now know that a significant portion of American heroin has its source in the poppy fields of Asia. This is the central concern of this report. We will only refer to two recent events for documentation of the need for our increased concern with this area of origin. First, the arrest of a major trafficker who was based in the Northeastern United States who revealed that he was operating a syndicate that used former military personnel to transport heroin directly from Southeast Asia for sale in the United States. Second, the International Narcotics Enforcement Officers Association’s lead article from their March publication directed attention to the heavy influx of Asian heroin. We quote from their report, “European officials have reported that heroin from Southeast Asia is flooding the European illicit drug market at an alarming rate. Federal officials are concerned that this increase in illicit traffic is spilling over into New York, where they estimate it may account for as much as 20 percent of the heroin used in New York.”

As if it is not enough that heroin addiction is on the rise, or that there are a half-million addicts currently in the United States, half to two-thirds of the street crimes which are committed in the United States are considered, by law enforcement authorities, to be related to drug addiction. This translates into billions of dollars of property damage and the deaths of many addicts and their victims. In the Nassau County, N.Y., district of the chairman of this subcommittee, the number of deaths from heroin overdoses doubled in the last year. Statistics such as this demand that the Federal Government undertake decisive new initiatives in the area of narcotics control.
No opium is grown in the United States; all of the heroin abused in the United States comes from opium poppies grown in other countries. Our Nation has been an advocate of self-determination and the safeguarding of the rights of sovereignty of other nations over their own internal affairs, but we do not consider it an internal affair if a nation grows opium poppies, the product of which finds its way into the bloodstream of American youth. We must realize that the knife which incises the poppy capsule is a knife stuck in the heart of our youth. The United States must rely upon the cooperation of other nations, particularly the producing nations, in preventing illicit drugs from entering the United States. This approach must be multi-faceted and must be adapted to the conditions which exist in the producing country and the region as a whole.

The most effective recognized method to combat heroin addiction, failing the elimination of illicit demand which must be constructively pursued as a goal, is to cut off the supply at its source. A very important point to keep in mind is that raw opium when it is refined into heroin loses 90 percent of its bulk. The difficulty in intercepting the narcotic, after refining, is compounded geometrically. Therefore, the most constructive point at which to interdict the flow of narcotics is at the source. Most law enforcement sources admit that once the opium is refined even partially, at best they will only be able to intercept 10 percent of the narcotic. The only time opium is stationary and highly visible in a concentrated area is in the field. It is at this point that we must destroy the chance of illicit entry into the U.S. market.

To be able to attain the critical goal of cutting off the supply or successfully interrupting the flow of narcotics, it is necessary to study international narcotics traffic in detail—pinpointing opium-producing nations, analyzing the degree of cooperation extended in efforts to inhibit the illegal international flow of drugs, determining the method of shipment and identifying the operators, routes, dealers, as well as political leaders and law enforcement officials who may be involved. For these reasons, we undertook this investigative mission, and we can conclude that narcotics trafficking has changed significantly. Previous measures have had some success but have also forced modifications in the producing and trafficking by many groups. This has brought about the need for new initiatives to meet these changing patterns.

Southeast Asian cooperation has improved significantly since last year, especially that of Thai and Hong Kong officialdom. Cooperation has increased but more active cooperation and vigorous law enforcement are required to effectively cut heroin traffic. Two years ago, Mr. Wolff recommended that in its work in international organizations, as well as in its bilateral dealings with friendly foreign countries, it is imperative that U.S. Government officials at all levels stress the need to control the source of the heroin supply. That must still be the prime concern of the United States, though it should be complemented with other programs which deal with the trafficking and consumption of narcotics. The U.S. Government must deal with a very sensitive dilemma; insuring adequate supplies of licit opium for our medical needs and at the same time shutting off the illicit flow into this country. This report will not deal with the question of a worldwide licit opium shortage but will focus on the illicit traffic and our heroin problems.
The seriousness of the heroin problem cries out for a massive effort. That plea must be heard and responded to with constructive programs. We must impress upon our authorities that the war on drug addiction and the invasion of our Nation by these drugs requires as massive an effort as this country extended when the security of the governments of Southeast Asia was in jeopardy. Now, it is our Nation and the health of our children which are threatened. The casualties in this war in physical, emotional and financial terms are greater than any military war has ever inflicted upon our country.
OVERVIEW

We would like to provide an overview of the changes in the international narcotics situation as a means for beginning a discussion of what conditions exist in Southeast Asia and what can be done to serve the best interest of the United States and our friends in that part of the world.

The Golden Triangle area of Burma, Thailand and Laos (see map, Appendix No. 1) produces 700 to 1,000 tons of opium for the illicit market and is, for the first time, considered a major direct source of heroin for the United States. When one realizes that the entire illicit demand of the United States can be refined from roughly 75 tons of raw opium, it is obvious that only a small part of the illicit crop from the Golden Triangle would be needed to supply a large portion of our addicts' demands. The constructive efforts of Thai narcotics officials, their excellent cooperation with the United States and other narcotics control forces, and the removal by the Thai government of several high-ranking government officials who were suspected of being involved with drug trafficking, have brought an end to the large opium-carrying mule caravans which brought raw opium from the Golden Triangle through Thailand and which was then carried, largely by trawler, to Hong Kong for worldwide distribution.

At present, the raw opium is refined in secret laboratories near the Burmese border in the mountainous jungle areas of the Golden Triangle. These labs are hidden in inaccessible regions and are close enough to the Burmese border so that when Thai narcotics officials discover a lab, the operators are able to retreat into sanctuaries in Burma. It may not be that the government of Burma condones the activities of the traffickers, but they are not in control of any of this area except for small enclaves. Rather, armed factions of the numerous hill tribes who operate in the Golden Triangle are in control and are thought to dominate most of Northeastern Burma and Northwestern Thailand. The successful antinarcotics efforts have ended the mule transport of raw opium, but at the same time, they have brought about the new "human wave" method for transporting small quantities of refined and semirefined opium. This has changed the consumption patterns within Southeast Asia as raw opium for smoking is less available and heroin for smoking and injection is more available. Heroin smuggling is more profitable than opium smuggling and large scale illicit trafficking is now mostly in heroin.

Where previously much of the refining of heroin for world distribution was done in Hong Kong and Thailand, the enforcement efforts and the constructive actions of the Hong Kong and Thai governments have led to much of the refining being performed near the growing areas. In several cases, chemists who used to operate in Hong Kong have moved down to the growing areas and work there. Hong Kong, however, is still a major center for refining and distribution. Much
of the heroin which moves through Hong Kong makes its way to Holland and Mexico as well as directly into the United States. The availability of high-grade, low-cost heroin in Amsterdam is causing a drug problem for our troops stationed in Western Europe, just as the cheap supply in Southeast Asia funneled down to our troops in Vietnam, impaired their efficiency and decreased their fighting capabilities.

Concerning Mexico, it can be established for the first time that some of the "brown heroin" which comes into this country from Mexico is actually heroin refined from Asian poppies. The DEA now estimates that 60-70 percent of all heroin consumed in the United States comes in over the Mexican border. All in all, the new distribution routes from the Golden Triangle are making the old Turkey to Marseilles route seem like a cowpath. Once again, we want to assert that we have been able to enlist the excellent cooperation and support of British, Thai and Hong Kong authorities in our effort to combat the narcotics traffic. What is disappointing is the lack of support from our own State Department and the Burmese government. We are asking the State Department to press the Burmese for full cooperation and also to work out some way or means of reaching the Shans and the other ethnic groups who control the poppy fields. However, we are not relying on State Department initiatives as our sole option.

The central problem with our State Department in this respect is, that our representatives in the respective countries are more concerned with not interfering in the internal affairs of another country than they are in combating the heroin trade which interferes with the lives of our young people. We, too, support the right of nations to control their internal affairs; however, opium growing and refining for external distribution is not an internal affair. The State Department must realize that the real threat to the United States does not come from the insurgents maintaining control of the highlands or their actions against the Burmese government, but from the opium which they produce that finds its way to the young of our own Nation. The State Department has intentionally, we believe, downplayed the importance of narcotics trafficking and has looked the other way while the problem screams for attention. Instead, State has focused its resources on combating insurgencies when the real war is the war on drugs—a war which involves our children. We must set in order our priorities to meet our national needs and national goals—one of which is the control of crime on the streets of America. Almost 80 percent of this crime is nurtured by drugs. And secondly, the eradication of this dreadful scourge that is destroying American youth, the future of our great land is a goal that must be met.

We think our major efforts should be focused on the control of the growing fields, and we believe there is room for major new initiatives. Congressman Wolff received in 1973 and again in 1975 proposals from individuals who control a majority of the illicit Golden Triangle crop which would allow a consortium to purchase their crop at a price similar to the current Thai border price. We have communicated these proposals to the State Department and are awaiting their analysis of the most recent proposal. We cannot emphasize in too strong a fashion how important it is that the State Department focus its energies on the problems in foreign lands which have the most direct and immediate consequence to the United States.
OPIUM PRODUCTION AND THE SHAN PROPOSAL

About 1,500 tons of opium are produced legally each year, under fairly strict controls, to meet the world's pharmaceutical requirements. India is by far the largest licit supplier for the Western market. India produced 866 tons in 1973 and 894 tons in 1974. Turkey on the other hand produced an average of only 7 percent of the world's licit opium in its last 3 years of production, and averaged exactly 15 percent over the prior 7 years.

The Indians have been able to maintain a relatively effective control system and the 10 percent of their production which is believed to leak out of the legal channels is almost totally absorbed or consumed by the surrounding local population. Other than Turkey, where a large portion of the licit production ended up in illicit channels, the licit suppliers of opium have not doubled as major suppliers for the illicit market. It is believed that roughly 1,400 tons of illicit opium are produced annually in the world. Perhaps half of this is grown in the Kachin hills and Shan states in Burma, in Northwest Laos and in Northeastern Thailand, in a contiguous area known as the "Golden Triangle."

The major concern for our increased attention to the Golden Triangle area, aside from the size of its production, is that with the decline of U.S. troops in Southeast Asia, which was a large market for the traffickers, the lucrative market for heroin in the continental United States has become a growing attraction. The distribution network is already transferring its routes to deal with U.S. demand. U.S. enforcement authorities have already broken one syndicate which was importing heroin directly from Southeast Asia to the Northeastern United States. This syndicate was using former military personnel as couriers.

It is the general belief of law enforcement authorities that the most effective way of combating narcotics trafficking is to cut off the supply at its source. This is more effective than trying to intercept the illicit drugs once they are in the traffickers' pipeline. Mr. Wolff has supported this principle for the entire period of his chairmanship of the ad hoc subcommittee on International Narcotics Control. We want to begin this section of the report by referring to the statement made by a law enforcement official, a top level DEA agent in Southeast Asia, who explained to Mr. Wolff in a letter: "I am certainly in full agreement with you. As we have discussed before, I can see no success in stopping the flow of narcotics through and from Southeast Asia until something can be done to stop the growing of opium in the 'Golden Triangle' or to divert its flow out of the illicit narcotic pipeline." We must understand that narcotics trafficking is an international problem which must be combated through international cooperation. Although drug treatment and rehabilitation is suitable for country by country programs, combating the production and trafficking must be done through combined efforts on an international basis primarily because traffickers do not respect national borders and cross over them in pursuing their
deadly business. Furthermore, the areas inside Burma and Thailand where most of the poppies are grown, refined and stockpiled are not in the control of the central governments of Burma and Thailand. Instead, these areas are controlled by the drug traffickers.

The Thai and Burmese government efforts to subdue the traffickers have not been successful in curtailing the production or distribution of opium to any significant extent. What the pressure has accomplished is interruption of the regular refining and the fear of interdiction in the trafficking patterns. There no longer is a safe route to travel. We must repeat, however, that the same amount of opium still reaches the worldwide illicit market. It is clear to us that solutions to the problems created by Golden Triangle poppy cultivation must be sought at the international level and, at present, the organizational infrastructure and cooperation are inadequate.

United States and international law enforcement officials have been forced to focus their efforts on interdicting the flow of narcotics once the poppy is harvested and is in the pipeline. They have no control over the growing fields or the trafficking organizations who collect the opium gum from the farmers. Law enforcement agents are aware that they can only intercept 5 or 10 percent of the narcotics once they leave the field.

This leads us to believe that it would be far more in our interest to either eliminate poppy cultivation or institute control over the supply in its early stages after harvesting.

In 1973, while Congressman Wolff was in Southeast Asia, he received a proposal from the major trafficker in the area; for the United States or an international consortium to purchase a majority of the illicit Golden Triangle opium crop at a price approximating the illicit Thai-Burma border price. This proposal would have enabled the purchaser to divert a major portion of the illicit opium from the illicit market into licit channels, thus creating control over the opium supply at its early trafficking stages. Mr. Wolff passed the proposal along to the State Department where a decision was made to reject the offer, as it related to U.S. participation.

We feel that the State Department peremptorily ruled out the Shan offer without giving it adequate consideration.

After the Shan proposal was brought to the public's attention, the State Department reconsidered the proposal more seriously in light of the destructive effect Southeast Asian opium was having on our youth. They investigated the offer further, yet still concluded that the United States was not interested. We feel their evaluation was biased by their desire to substantiate a predetermined conclusion. The central reason the offer was rejected, according to officers at the State Department, was the lack of confidence that this trafficking consortium could produce the quantity of opium promised. Furthermore, it was said that any dealing between the United States and the narcotics traffickers, who oppose the central government of Burma, would jeopardize relations between our government and the Burmese government.

The traffickers and their several-thousand-man armies, a representative of whom approached Representative Wolff with the above proposal, are involved in opposition to domination by the Burmese Government and seek the autonomy that was promised to them in the
Burmese Constitution which was in force until it was suspended by the Ne Win government at the time of the military takeover (see appendix for constitution).

Today, the Shans, Kachins, Karens and other hill peoples use opium as a cash crop and use the money secured from illicit narcotics sales to the traffickers to purchase their necessities. Opium, as the only cash crop in the area, feeds not only the hill peoples literally, but also feeds the political motivations of the traffickers.

When we were in Southeast Asia on this recent trip, Mr. Wolff was handed an unsigned proposal by U.S. Embassy officials in Thailand. The proposal, Operation Tara, was "presented" to the Embassy, it was said, by a Latin American middleman who claimed to speak for the Shan peoples and the associated traffickers who operate in the Golden Triangle. The proposal included a deal to exchange hundreds of tons of opium for arms and ammunition. The deal was purely mercenary, and for arms and ammunition. It contained no discussion of a permanent termination of opium growing in the region.

Operation Tara has been disavowed as fraudulent by the representatives of the Shans with whom we met. The Tara proposal they said was clearly designed by someone to undermine or neutralize the integrity of any genuine proposal which might be delivered to Mr. Wolff concerning the purchase of a majority of the illicit Golden Triangle opium crop.

After the delegation returned to the United States, Congressman Wolff received a signed original of a proposal from representatives of the Shan State Army, and the Shan United Army. The full text and accompanying note appear at the end of this section. These groups are also able to represent the views of the Kachin and Karen peoples, and as they control the territory through which most KMT and Triangle narcotics pass. They are in control of the merchants who currently are maintaining large opium stockpiles in the hill country. This trafficking consortium is able to control 80-90 percent of all opium which leaves the highland region for consumption in the rest of Southeast Asia and for worldwide distribution.

The Shans have offered in their proposal to provide the United States or an international body with their entire illicit opium crop at a price below the current illicit Thai-Burmese border price, in return for funds and expertise to help them modify their agricultural and economic system which is now based on opium production. The Shans are also interested in gaining the autonomy which they were promised in the 1947 Burmese Constitution which allowed them to secede after 10 years. In this we take no position.

According to the recent proposal the Shan signatories to the proposal agree to terminate all opium production after an agreed upon transition period during which a regional agro-economic development program would be implemented.

During the transition period, the signatories will (1) sell their crop to any international or recognized governmental body, (2) gain the cooperation of any traffickers operating in the region, (3) permit the

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1One should realize that opium gum can be stored for years without losing potency.
inspection of the Shan States, and (4) help all outside parties to per-
form the agricultural, ecological, and sociological research which must
be done to support the design of a workable regional development
plan. The proposal then outlines a step by step approach for the pur-
chase of the opium crop. In return, in addition to the necessary funds
and expertise, the Shans ask that the participating international body
not interfere with their efforts to achieve autonomy.

We want to make it absolutely clear that Congressman Murphy,
Congressman Burke, and Congressman Wolff are not taking up the
political cudgel for any of the trafficking groups. The only interest they
were trying to advance by meeting with the Shans and reviewing the
proposal is that of the youth of this country. We are not endorsing any
of the rebels' claims but are interested in establishing a line of commu-
ication with these people to attempt to find a lasting solution to this
problem. We feel that the United States in cooperation with Thai,
Burmese, and U.N. authorities can be very constructive in facilitating
communication among all of the involved groups and governments,
and hopefully, we can benefit all those countries which are affected by
the evils associated with narcotics abuse. We do not feel the United
States should become the negotiator in this complex and delicate
situation. We can, however, be helpful in communicating the interest
of the traffickers and the people from whom they buy the opium
to authorities who are in a position to set in motion the process of
ending opium traffic. Our interest in the Shan proposal stems solely
from our concern over what we feel is clearly in the national interest
of the United States—the protection of our young people from the
tragedy of drug abuse.

We have an opportunity, which may not be repeated, to take a
constructive step toward reducing the illicit supply of opium. We
have been forced up to this time to deal with opium trafficking as a
strictly conventional law enforcement problem, and our success has
been limited. Opium is far more to the Shan people than an illicit
narcotic. Opium gum is one of the world's only consumable cur-
rencies and is a foundation of the entire Golden Triangle economy.
For this reason, the only constructive way to modify cultivation is
by providing the farmers with an alternate source of income, com-
monly referred to as income substitution. This is the reason for the
infusion of aid and expertise discussed in the proposal. Law enforce-
ment efforts will never terminate the opium trade even with total
international cooperation because it is not simply a law enforcement
problem.

We have been offered a unique opportunity to deal not only with
the traffickers who control the flow of a majority of the Golden
Triangle opium, but also with the political groups who represent the
farmers and thus control opium production. This proposal would
enable us to treat the problem in an overall economic and sociological
context, and not merely as a law enforcement problem.

We feel that the Shan proposal can work to the advantage of all
participants. This belief was reaffirmed by a visit we made to one
pilot crop substitution project which is being administered by the
U.N. in a combined effort with the Thai Government in Chaing Mai.
We reached this remote development after a rough ride in four-wheel drive vehicles, one of which went off the road and almost fell some 2,500 feet. We were received in a very cordial fashion by the highly professional director, Mr. Dick Mann, who informed us that this project was only an experimental one, specifically designed and suited for the particular location. This was an extremely important point because, while the Chaing Mai project was a successful one, it proved that crop substitution could be implemented effectively only if it was tailored to each individual location. This reaffirmed the Shans' statement that regional agricultural reorganization can be successfully instituted if the proper research, planning and attention to local conditions is made. Widespread development would have to include the building of roads and the planning of planting and marketing which has never before been done in the Golden Triangle region. The Shan proposal gives us the opportunity to research this area which has previously been inaccessible for political and geographic reasons.

Let us turn now to a more detailed discussion of the Shan proposal. At the present time, a sizable portion of the heroin consumed in the United States comes from Southeast Asia and the proportion will probably increase if our efforts in Mexico are successful. We spend billions of dollars each year to protect our citizens from drug-related crime. Billions of dollars of merchandise is stolen each year to support heroin habits. Billions of dollars are invested annually in drug prevention, treatment and rehabilitation programs. Many innocent people are physically assaulted and some even killed in connection with drug-related crimes. Hundreds of thousands of otherwise productive lives are lost to the destructive and often endless cycle of heroin addiction. Add to this the fact that the United States was willing to spend $37.5 million to end the production in Turkey, a producer of relatively minor proportion, and the fact that the United States was willing to provide $1 million for a preemptive buy of 26 tons of opium from CIF traffickers under the guise of a resettlement plan, and the desirability of the Shan proposal by which we could eliminate a major source of illicit opium, increases significantly.

Some critics of preemptive buying from the Shans have observed that the United States will be locked into a purchase arrangement, and the cost will increase each year. The reasoning is that the hill people who plant poppies will increase poppy production once they know the United States will purchase any opium they can deliver. This logic is questionable for two major reasons. First of all, the illicit narcotics middlemen will presently buy any and all opium which the farmers offer for sale. In essence, there already is a guaranteed market for their opium. In addition, the cultural mores and the physical demands involved in poppy cultivation are the real checks on an increase in poppy production. The poppy is a very fragile plant, and there are many natural events which can wipe out an entire harvest. Rain at the wrong time or a prolonged drought can kill the whole crop. Even without major disasters, the return from opium varies widely from year to year. For these reasons, poppies are almost always grown as a supplementary crop to others which have a more predictable return. The second point is that the United States will not be locked into an annual buying arrangement because the Shan proposal would
ultimately end widespread opium cultivation and trafficking in the region. The Shans who drew up the proposal are pledged to a program to phase out opium production for export as rapidly as an alternate source of income for the farmers can be implemented. This substitution process will require several years, but we feel confident that, if the Shan proposal were adopted and the production cutbacks established, there would be a major reduction of the annual supply of opium destined for export.

In simple terms, as it is now, the farmers can sell all of the opium they grow, the traffickers are able to sell all they can get hold of and the result is substantial quantities of heroin are available worldwide. The traffickers today, without any deals, use the funds from the sale of their opium to purchase the weapons or fill any other of their needs. If the United States buys the opium the rebels will still purchase their weapons but the drug-affected countries will no longer be hurt. If the United States does not buy the crop, it will end up in the illicit pipeline and the results are depressingly predictable. Our central concern is not the political question nor the licit opium shortage, but the protection of the youth of our country who are vulnerable to the narcotics which will continue to flow into this country as long as we focus on conventional law enforcement techniques.

Our meetings in Southeast Asia have made it clear that the supply aspect of opium production must be the focus of our narcotics efforts. This may mean dealing with opium production as a social and economic aspect of Shan life and not just as an illegal action to be dealt with in conventional law enforcement terms. At present, interception and disruption efforts are only skimming the surface of the narcotics trafficking operation. The Shan proposal presents the possibility of relieving what might be a licit opium shortage in the United States and more importantly, disrupting the illicit flow. We have now presented the proposal to the State Department and to DEA and we hope they will give it the serious consideration it merits.

[The Shan proposal and the notes which relate to it follow:]

As representatives of the Shan peoples, the signatories to these proposals are concerned by the misery caused by narcotic addiction throughout the world and increasingly inside Shan State. However, as the opium trade thrives on anarchy, and as many Shan peoples depend on opium for their livelihood, its cultivation will never cease until Shan State has a democratic and representative government, supported by a majority of the Shan peoples, capable of carrying out a long term agro-economic programme to replace opium with equally viable crops.

The signatories to these proposals guarantee that as soon as a democratic Shan government is elected, a treaty will be negotiated whereby opium is abolished after an agreed transition period in return for international aid and expertise.
During the intervening period of civil disorder, the signatories propose the following temporary measures:

1. The signatories will sell the annual Shan opium crop at the Thai border price to any recognized international or governmental body.
2. The signatories will cooperate with the purchaser to prevent opium grown in Shan State being marketed by parties not subject to the terms of this agreement.
3. The signatories will permit inspection inside Shan State.
4. The signatories will assist and participate in any economic, agricultural or sociological research aimed at replacing opium with alternative crops.

To initiate negotiations for the sale of the 1975 opium crop, the following immediate steps are proposed:

1. Before May 1st 1975, the sale of 1 ton of opium at the current Thai border price of 3100 baht per viss.
2. On the satisfactory conclusion of this sale, a price will be determined, on the basis of the prevailing border rate, for a further purchase of 5 tons of opium from each separate resistance organization that attends a Shan opium conference to be held on the Thai border in July 1975 where a fixed price for future opium sales and a long term agreement will be negotiated.
The first Shan opium proposals were rejected by the U.S. Government in August 1973.

The present proposals were drawn up by the Shan consortium after a meeting between three Shan leaders and U.S. Congressmen Lester Wolff and Morgan Murphy in January 1975.

NOTES ON THE SHAN OPIUM PROPOSALS

1. **The three Shan groups.**—The leaders who signed these proposals represent, or can speak for, virtually every Shan opium trading group except the KMT and their satellites. The Shan United Army is at present the largest organization in the opium business; the Shan State Army Eastern includes all non-Communist Shan forces east of the Salween; and the Shan State Army will almost certainly be followed in these negotiations by the Kachin, Karen and Ba-O.

2. **The price.**—When the first Shan proposals were delivered to the U.S. Narcotics Bureau in July 1973, the border price was under 1,000 baht per viss of opium. Since then there has been a bad harvest, a world shortage of opium, and currently prices are high because of the seasonal price rise before the new crop is harvested. According to our sources amongst the Thai hill tribes (i.e. sources not dependent on the Shan), the opium price in mid-January 1975 in Hueh Krai was 3,600 baht per viss. This means that Congressman Wolff's Thailand visit—and therefore these proposals—have unfortunately coincided with the highest price that opium has ever reached. In recognition of this, the Commander of the Shan United Army has offered 1 ton of opium at 3,100 baht per viss. He guarantees that if the border price is higher than this at the time of purchase, he will hold to his 3,100 baht figure, but if the border price falls below this, he will—as a gesture of goodwill—come down to meet it.

3. **Effect on opium production.**—Since March, 1973, the price of opium has increased 400%, but there is no evidence that the rise in price has resulted in a rise in production. In fact, among some tribes a price rise often means a fall in production, and since nearly all opium is cultivated by the family unit without hired labor, production is limited to the labor resources of the individual family and cannot be much increased. Over ten years, a steady rise in opium prices would probably bring other families and villages into opium production, but this would be a slow process restricted by agricultural and cultural considerations, the immense conservatism of the Shan peasant, and his profound distrust of opium prices which have always been known to fluctuate as unpredictably as the weather.

4. **Effect on opium prices.**—Any long term purchases of Shan Opium would, however, certainly raise the price of opium on the black market, and this could tempt some merchants to try to smuggle part of the crop. To prevent this, the proposers have offered to “permit” inspection and to “cooperate” to prevent smuggling. They are, in principle, willing to attack any opium convoys not abiding by the terms of an agreement signed by them, but they point out that this would cost a great deal in resources and manpower, and that they are being paid nothing more than the market price for their opium. The success or failure of any Shan narcotics deal will eventually hang on this issue.

5. **Information.**—Probably the greatest benefit to be derived from these proposals is a toehold in an arena that has been completely closed to research. The Shan leaders believe that an eventual solution can only come from an accurate and thoroughly researched understanding of the opium problem and are, therefore, willing—while negotiations seem promising—to provide almost all information of data-collecting facilities that they are asked for. In the long term, this knowledge and expertise, rather than any short-term device such as pre-emptive buying, will eliminate the problem.

6. **Effect on civil disorders.**—It is important to note that under these proposals, the Shans will only be receiving the market price for opium that they would have otherwise sold on the black market. The effect will be to divert narcotics from an illicit, to a licit, purchaser, but it will not, in any way, provide additional finance for civil disorder.
MEETING WITH THE SHANS, GEN. LI WEN-HUAN AND COL. YANG KUO-KUANG

IMPORTANT MEETINGS

(A) SHANS

While in Southeast Asia, Mr. Wolff and Mr. Murphy were able to meet with representatives of the Shan United Army, Shan State Army, Lahu and Loi Maw peoples. This consortium is in contact with and can speak preliminarily for the Kachin and Karin peoples. This consortium controls over 80 percent of the illicit opium exported from the Golden Triangle and controls the areas through which the KMT shipments pass. A meeting was set up to establish a line of communication. When we met with these people, they did not have any proposal for third party purchase of their opium. We made it very clear to them that our purpose was to communicate and not to negotiate. As it turned out, these representatives reported back to their superiors on the meeting, and it was these decisionmakers who drew up the proposals which we presented to the State Department.

The Shan representatives stated they feel the United States is approaching the question of narcotics control from the wrong perspective. Even the preemptive U.S. buy of 26 tons from the Chinese Irregular Forces (CIF) in 1973 was made with those who have no control over the hill people who grow the poppy and who have no desire to see stability in the area established. The CIF are involved in trafficking purely for financial reasons. Only by relating to the people with a stake in the future of the highland region will we be able to get at the heart of the supply side of this issue.

Unlike the former KMT forces under General Li and General Tuan who came to the Golden Triangle in 1949, when they were driven from Mainland China, the people who are controlled by the SSA and SUA we were told by them, are people who have lived in the area for centuries.

They said, "our desire is to effect a political settlement with the Burmese and end the excess opium cultivation." These representatives reasserted their view that "opium growing is not a law enforcement problem but a social and economic phenomenon. One will only solve the problem when it is dealt with in light of the cultural context of opium growing. The termination of opium production for external distribution will only come about when there is a political settlement with the Burmese, and this will be facilitated by the good offices of the United States or an international body."

The Shans and other hill tribes are different culturally from the Burmese. Shans are descendants of the Thais and all of the hill people show greater cultural ties with the Southwestern Chinese than with the highland Thais and lowland Burmese. "They do not want to modernize their society nor become more like the lowland people."
desire “political autonomy so they can maintain their culture without having to expend all their time, manpower and funds on self-defense.” The Shans assured us that they are completely able to continue receiving military supplies through illicit channels financed through the illicit sale of opium, and they will be able to continue their fight well armed from current proceeds of illicit narcotics traffic whether or not, the United States buys the crop. They feel “cooperation is in both parties’ best interest.” They would be willing to end opium growing if there was an adequate crop substitution program available to enable their people to earn a livelihood. Even if these preconditions may not be met, they assured us they are very eager to help us with the background anthropological and ecological research which will be necessary to effectuate a comprehensive program of rehabilitation and development for the area.

(B) GEN. LI WEN-HAUN AND COL. YANG KUO-KUANG

We were the first American officials ever to meet face to face with General Li who is the commander of the KMT forces which remained in the highlands of Burma and Thailand in 1949 when they were driven from the Chinese mainland after Mao took power. General Li informed Congressmen Wolff and Murphy that he “is out of the opium business.” He claims that he “is now in the jade trade.” The previous indirect contact which the United States has had with General Li was in the preemptive buy in 1973, when 26 tons of opium were purchased for US$1 million. The illusive “27th ton which was offered by Li but not purchased gives lie to the idea that this was not a direct purchase. Also let us be perfectly frank what matter if the purchase is made in kind, dollars or gold—it was a preemptive buy. Li’s people and forces were given land by the Thais in a resettlement program, and the Thais in return secured a pledge for an end to CIF participation in narcotics trafficking. Not only have questions been raised over whether the substance purchased and burned was opium, but we are very wary of the assurance that his forces are no longer involved in the narcotics business. It may be true that General Li himself is no longer directly involved in the business, but there exists intelligence that remnants of his old CIF forces are still engaged in traffic and refining. General Li stated that “my people are engaged in farming, are not growing any opium and are abiding by the conditions set down in the resettlement agreement.” One should realize that the KMT and its followers never did grow opium themselves but were involved in the transport and protection of the opium caravans.

Other information which we received indicates that General Li is out of direct contact with the opium transporting but he maintains contact with the narcotics traffickers. Just as the leaders of organized crime in other parts of the world are not directly affiliated with the purchasing and refining of narcotics, General Li is several steps removed from the actual trafficking. General Li has expressed an interest in personally getting completely out of the narcotics business and he would like to leave the region as proof. For proof that he is no longer in the trafficking, he was “willing to offer his children to the
United States as hostages." We feel that he is sincere in his desire to end his trafficking connections, but he is not in a position to extricate himself. Rather than being in a position to offer himself or his children as hostages, he is a hostage to his people and the Thai enforce­ment authorities. General Kriangsak Chumanon, Chief of Staff, Su­preme Command Headquarters personally told us that he could not allow Li to leave the country. It seems that General Kriangsak is able to keep some level of control over Li's KMT forces because of this relationship with Li. If Li were allowed to leave, all of the smaller traffickers who would take his place would present much greater problems for the enforcement personnel.

We were also able to meet with Colonel Yang, who is the second ranking member to General Tuan who controls the other KMT Army. He informed us that "we also want to end our involvement in the narcotics business." We feel that, although it might be helpful to end the participation of these kingpins, this will not end the traffic because other less powerful figures would replace them and splinter the traffic. The narcotics syndicates do not work in an organized fashion in Southeast Asia as they do in other parts of the world, and thus the loss of the top figures would have less effect on the distribution systems. Nevertheless, our drug enforcement personnel have always focused their attention on getting the "Mr. Bigs" even though this has not helped us in curbing the narcotics flow. A perfect example is that after the arrest of Lo Hsing Han, there was no significant decline in the amount of opium which reached illicit distribution points. As it is now, the best means for curbing the traffic is to reach for those in control of the territory where the opium is grown and through which the shipments must pass.
REFINING AND TRAFFICKING

The World Opium Survey of 1972 under the supervision of the Cabinet Committee on International Narcotics Control concluded that the Southeast Asian network would only become a major concern of the United States if the primary smuggling route were to falter. The primary complex to which they referred was Turkey to Marseilles to the United States. As we know, there has been a ban on the growing of poppies in Turkey for 2 years, and the only heroin which was smuggled out of that region was that which had been stored before the ban went into effect. Even with the Turks reentering the poppy market with their poppy straw, the success of their control effort, which, hopefully, will live up to expectations, will only maintain the major void which the illicit Turkish opium used to fill. Southeast Asian poppy fields have combined with the Mexican regions to more than fill this previous quota. There will clearly continue to be a major demand by illicit dealers on the Southeast Asian producers if the curbs placed on the Turkish farmers are only moderately successful.

At the time of our last visit 2 years ago, most of the opium grown in the Golden Triangle was moved down to the Thai-Burma border in huge mule caravans transporting more than a ton of raw opium or morphine base at a time. The opium or morphine base was then distributed for local consumption or smuggled through Thailand to Bangkok for trawler shipment to Hong Kong. In Hong Kong, the opium would be refined and either consumed locally or prepared for worldwide distribution. This whole network and pattern has changed.

No longer is there a permanent large refinery operating in the Tachilek area. Heroin production is now being carried out in the north in small, mobile and temporary laboratories on an order by order basis. The caravans which used to pass through the Golden Triangle under the armed guard of the rebel traffickers no longer have free reign in the area. The first-rate Thai enforcement effort has brought a halt to this type of traffic. They are far more successful at disrupting the part of the traffic which passes through Thailand for consumption in lower Thailand and for worldwide distribution than they are at combating the production and refining in the north. Their pressure has led the traffickers to refine the opium nearer to the fields, which reduces the bulk by 90 percent. Then the heroin is moved by body pack to distribution centers. This is the so called “human wave strategy” where a larger number of smugglers each carry a smaller amount of heroin. In January of 1974, there was one incident where 18 heroin smugglers were arrested on a single commercial jet flight which originated at Kuala Lumpur, Malaysia, and was destined for Amsterdam. The traffickers are also making greater use of airplanes to transport the refined product from the north to lower Thailand and to other distribution points.
These modifications have many serious implications. First of all, narcotics enforcement operations against the increasingly mobile refinery targets require more manpower, materiel, planning and coordination than ever before. When one realizes how easy it is to set up a refinery, the scope of the problem becomes obvious. Even when a refinery is discovered by enforcement officials, by the time they are able to make their way through the inaccessible highlands to the refinery, the operatives are usually able to flee. As one example, when the Thailand’s Special Narcotics Organization (SNO) forces arrived at a refinery near the Burmese border, the operators fled across the Burmese border and the SNO team could not pursue them. (See appendix for details of SNO.)

On an overcast day when the ceiling was only 300 feet, we were able to travel by helicopter from Chiang Mai up to the area where several refineries have been located. The helicopter is the only real way to move enforcement units into these inaccessible areas, and when one considers that there are ridges of 3,500–4,000 feet shrouded in a heavy cloud or fog, it is often not even very safe to try to reach these areas by helicopter. Nevertheless, we were able to fly into the border region north of Chaing Mai and see one of the refineries which, before it was raided, was producing 100 pounds of heroin a day. We were made very much aware of how difficult it is to move in an armed group to drive the traffickers away from their refineries, especially when one knows how well armed they are. We do not want to give the impression that the traffickers are able to gain sanctuary in Burma with the permission of the Burmese Central Government. A more realistic assertion is that the Burmese do not have control of the northern part of their country. In Northeastern Burma, the territory is controlled by the traffickers, mostly by the Shans, and in the Northwest, it is under the control of the Communists. We are at a great disadvantage if we try to rely solely on the Central Burmese Government to control the affairs which go on within their national borders. They simply cannot control the trafficking and production in their highland areas.

The second implication of the modifications in trafficking and refining is that the interception of traffickers does not significantly disrupt the flow of narcotics because of the small amount which is being individually carried and intercepted. As long as we cannot focus on the supply side of the equation, the law enforcement authorities are aiming at a policy of disruption and interception. They admit that they will only be able to seize 5 to 10 percent of the illicit flow. What the enforcement efforts have done is to maintain the high price of opium in the illicit channels because of the high risk and, secondly, to change the consumption and financing patterns in Southeast Asia. As raw opium becomes rarer outside the hill regions, No. 3 and No. 4 heroin is all that is available; the opium smokers become heroin smokers and heroin injecting addicts. This consumption modification is having serious ramifications and will be discussed in a later section of this report. (No. 3 and No. 4 heroin is the type which is consumed in the United States.)

Another major change in the trafficking patterns relates to the trawler traffic. Several years ago, two or three trawlers a month were making their way to Hong Kong and Macao with tons of raw opium and morphine base on board. There were three major seizures off the coast of Vietnam by the Vietnamese whose narcotics people are
now doing a good job of interdiction and the Thais too were able to apprehend several vessels while they were in port. These enforcement actions have altered the trawler traffic so that it is no longer a dependable route for the professional smuggler. The authorities estimate that now there is only about one trawler every 6 weeks which heads up toward Hong Kong and Macao. There is increased air and water surveillance, and there are plans to provide more pursuit boats because the current level is insufficient to really affect the traffic materially. Interdictions have forced prepayment for the trip before the traffickers will leave the Thai port. Furthermore, they now go farther off the coast of Vietnam before heading for Hong Kong, and the trip takes 3 weeks instead of 2. To avoid the Hong Kong enforcement efforts, the trawlers stop before entering the territorial waters of Hong Kong and either dump the cargo overboard for pickup by local junks or transfer it to a number of small ocean-going vessels which have freer play inside the port of Hong Kong and are less noticeable. The traffickers are making use of the territorial waters of the People's Republic of China in their maneuvers and the lack of cooperation from the PRC is clearly hindering surveillance because Hong Kong authorities cannot enter the waters which are under PRC control and the traffickers can. The PRC may be more willing to help in the near future in combating the international narcotics patterns as it begins to influence their own people. It is clear that each of these modifications makes the law enforcement job more difficult.

The anti-trawler efforts, however, have led to traffickers' reliance on air transport for opium and heroin destined for Hong Kong and other worldwide distribution points. It has also led to the creation of new smuggling routes. Malaysia and, more specifically, the port of Singapore have become major centers for worldwide distribution. With the heroin already refined by the time it reaches the Thai-Burma border, the need to pass through Hong Kong has been removed. Thus, a large active international port like Singapore becomes an excellent spot from which traffickers transit. Malaysia does not produce a significant amount of opium and its consumption problem is minimal, but because of its geographic location, it is becoming a key spot for worldwide distribution. An international enforcement effort should make provisions to deal with this.

To obtain a perspective on the problems which Singapore may present, one should realize that the free port of Singapore is the fourth largest in the world, with about 400 ocean-going merchant ships in harbor on any given day. Some of these ships carry narcotics from Singapore to Hong Kong and Indonesia, as well as to other Asian and international ports. Some vessels have been known to depart Singapore for Penang where narcotics are picked up by the traffickers and subsequently delivered to Indonesian locations. Hundreds of small boats also traverse the waters around Singapore and the Straits of
Malacca. Sea-borne smuggling is endemic in the whole of the Singapore/Malaysia/Indonesia/Philippine archipelago.

The Singapore Central Narcotics Bureau, which works closely with the DEA District Office, recently reported that there are approximately six major syndicates involved in narcotics trafficking between Thailand, Malaysia, Singapore and Indonesia. While two of the syndicates have been eliminated or disrupted, there are an additional 250-500 small scale rackets or drug trafficking entrepreneurs involved.

Another distribution point is the Philippines. Philippine addicts are now supplied from Hong Kong but as enforcement in Hong Kong continues to improve, the Philippines may become more and more of a central distribution center. The thousands of islands and geography of the Philippines make it capable of becoming a major problem area for enforcement personnel.

Another trafficking pattern to be looked at, is eastward from the growing fields through Afghanistan. We do not have much information on this route at present but as the southern route becomes riskier this could become a major problem.

One other aspect of the trafficking which is of central concern is the actual traffickers themselves. A majority of the heroin which is smuggled from Southeast Asia is done by overseas Chinese seamen. They are often recruited for only one trip and thus do not build up a pattern or a record. Sometimes, they are affiliated with the KMT forces which did not return to China in 1949, or they are from either Taipei or Hong Kong.

The central observation concerning production and refining is that the improved narcotics enforcement efforts centered in Hong Kong and Thailand have forced the traffickers to change their mode of operation, but this has not led to a decrease in the amount of illicit opium products which are released for local and worldwide consumption. As long as we concentrate on narcotics solely in the law enforcement framework, we will only take 5-10 percent of the narcotics out of the illicit pipeline. We will disrupt the trade, but get at only the branches of the tree of narcotics trafficking. If we are to get at the roots of the problem, we must seriously consider innovative answers.

**Hong Kong Enforcement Efforts**

The role of Hong Kong in the Far Eastern narcotics traffic, although still major, is no longer as central as it was 2 years ago. The major changes are in the aspects of refining and distribution. Hong Kong still imports and exports opium and its derivatives but the major part of its opium is used for local consumption. However, Hong Kong is still used as a transshipment point for Europe, Canada, and the United States directly. Hong Kong is still the financial center of the narcotics trade.

Our enforcement personnel and the British authorities recognize that by the time opium reaches Hong Kong, the problem is almost insurmountable. Hong Kong now stresses the need to focus on the growing areas, and it now has a liaison official working in Thailand. To understand the nature of the enforcement problem which faces the British and Hong Kong forces, one should realize that 4 million people pass through Hong Kong during the course of a year; 12 million tons
of cargo move through Hong Kong each year and there are 1.7 million air passengers. The harbor is open 24 hours a day and there are 15,000 small craft operating in the harbor daily.

Even with this immense task before them, the narcotics enforcement forces have been able to make significant inroads into the traffic. Much of the opium and morphine which used to come from Thailand is now bypassing the Colony. We were able to meet with the senior British narcotics official in the Colony, Norman G. Rolph. He is very responsive, and the cooperation between United States and other narcotics authorities in Hong Kong has improved substantially. During Mr. Wolff's last visit to the Colony, he was very critical of the efforts of the British and did not feel they were seriously committed to the narcotics fight. Since then, the British and Hong Kong authorities have openly recognized the problem and have actively joined the effort to eradicate the traffic. They have made the greatest progress in police activities, namely, the interception and disruption of trafficking and the refining. Less progress has been made in the treatment and rehabilitation programs for the local population. There is greater exchange of personnel and information between American and British authorities. Furthermore, our congressional visit demonstrated to the Hong Kong forces that we are committed and that we do appreciate their work. Future congressional trips to this area will serve to reaffirm our continuing interest and commitment to the goal of suppressing narcotic traffic.

Last year, there were five major syndicates operating in Hong Kong. The enforcement effort arrested the heads of two of them in October on conspiracy charges. This is the first time that conspiracy charges have been used in narcotics prosecutions. The enforcement officials feel that they have broken the financial back of the third by immobilizing and seizing three of their heroin factories. This has not ended the narcotics traffic but has thrown it into a state of disorder.

We were informed that the reason the police were able to break up the syndicates now and not previously was the removal of a high police official. This person seemed not as interested in going after the syndicates as he was in statistics, so he focused his efforts on the addicts and the small pushers. Furthermore, the pressure for Hong Kong to take decisive action was not as active as it could be. This is one place where congressional visits and reports helped, especially in that they were complemented by international pressure to do something about the narcotics traffic. Now that new officials are in office, the top DEA official in Hong Kong is able to get all of the cooperation he needs. Furthermore, we now have people in the Hong Kong narcotics effort to whom we can channel our information and of whom we can expect action.

Hong Kong authorities have known about the syndicates for some time, but they have not used their information effectively in the past. We are very aware that although the traffic is down, prices are up. Even though normal distribution channels have been disrupted, the profit motive is too high to assume that the traffic will end. Hong Kong traffickers are clearly rebuilding. In the interim, some of the chemists who operated in Hong Kong are now working in remote inaccessible areas in northern Thailand, and some of the couriers are picking up the finished product directly in Thailand to avoid Hong Kong com-