

GAO

Briefing Report to the Chairman, Caucus
on International Narcotics Control,
U.S. Senate

May 1997

DRUG CONTROL

U.S. Heroin Control Efforts in Southwest Asia and the Former Soviet Union



**National Security and
International Affairs Division**

B-276822

May 9, 1997

The Honorable Charles E. Grassley
Chairman, Caucus on International
Narcotics Control
United States Senate

Dear Mr. Chairman:

In response to your request, this report provides information on (1) the extent of the opium and heroin production threat in Southwest Asia, Russia, and the Central Asian Republics¹ and the immediate threat to the United States, (2) efforts by the United States to address this threat, and (3) the obstacles to counternarcotics strategies and programs in these regions. You also expressed interest in the status of efforts to control the diversion of opium produced in India for use by U.S. pharmaceutical companies. This report summarizes information we provided to your staff on April 22, 1997.

Background

Heroin is the second most dangerous drug threat to the United States behind cocaine. According to the 1997 National Drug Control Strategy, there are about 600,000 heroin addicts in the United States. Heroin use is not as prevalent among young people as marijuana or cocaine, but growing numbers of teenagers and young adults are experimenting with the drug. Moreover, the number of heroin-related emergency room admissions has more than doubled during the 1990s, from 34,000 in 1990 to 76,023 in 1995. Opium poppy, the plant from which opium is derived and then processed into heroin, is grown primarily in three regions of the world—Southeast Asia, Southwest Asia, and Latin America. Heroin is transported to the U.S. market through a global array of trafficking networks and a diverse set of criminal organizations.

In addition to illicit opium poppy cultivation resulting in heroin production, several countries legally produce opium for medical purposes. The United States attempts to assure a flow of reasonably priced opium to meet U.S. national medical needs and to limit the number of nations involved in the trade through import permits issued to U.S. pharmaceutical companies. India is the world's largest producer of licit opium for use in pharmaceutical products (849 metric tons (MT) during the 1995-96 crop

¹For the purposes of this report, Southwest Asia includes Afghanistan, Pakistan, India, and Iran. The Central Asian Republics are defined as Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

year) and is the source of most of the processed opium gum imported by U.S. pharmaceutical companies. U.S. manufacturers value the high alkaloid content of Indian opium gum for production of drugs like the painkiller oxycodone.

Results in Brief

Our review indicated the following:

- Despite a significant increase in Southwest Asian opium poppy cultivation and production from 1987 to 1996,² Southwest Asian heroin is not presently a major threat to the United States, according to the U.S. Drug Enforcement Administration.
- Russia and the Central Asian Republics of the former Soviet Union have not been classified as major opium producers, but Southwest Asian opium and heroin trafficking routes have expanded in the region.
- Except for Pakistan, the United States has provided very limited drug control assistance to Southwest Asia, Russia, and the Central Asian Republics.
- The primary obstacles to drug control efforts are the lack of government control of opium poppy cultivation areas in Southwest Asia and the lack of resources and institutional capability in Russia and the Central Asian Republics.
- India's inability to control diversion of its licit opium crop continues to be a drug control concern, according to the Department of State and the Drug Enforcement Administration.

Extent of Heroin Threat

U.S. distribution of heroin from Southwest Asia is limited mainly to Southwest Asian ethnic areas in a few large urban centers. As we reported in March 1996,³ Southeast Asia, primarily Burma, still supplies much of the heroin consumed in the United States. In addition, South American produced heroin is readily available in several major U.S. markets. While some Southwest Asia heroin is sold in the United States, the vast bulk of the heroin produced in Southwest Asia is destined for the European market due to the easier accessibility and established trafficking routes between the two regions.

²Most of the increase was due to expansion in Afghanistan, where opium poppy cultivation doubled from 18,500 hectares to 37,950 hectares from 1987 to 1996 and opium production tripled from 415 MTs to 1,230 MTs from 1990 to 1996. Afghanistan's opium production output of 1,230 MTs was second only to Burma's 2,560 MTs worldwide in 1996.

³Drug Control: U.S. Heroin Program Encounters Many Obstacles in Southeast Asia (GAO/NSIAD-96-83, Mar. 1, 1996).

The State Department has reported under the U.S. drug certification process⁴ that no region of the former Soviet Union has exceeded the threshold of 1,000 or more hectares of illicit opium cultivated or harvested during a year needed to qualify as a major opium producer. However, U.S. officials have made only limited attempts to determine the amount of cultivation occurring in the region. In addition, U.S. counternarcotics officials have reported that since the fall of the former Soviet Union, Russian and other ethnic-based Central Asian organized crime groups have expanded drug trafficking routes for Southwest Asian opiate products by taking advantage of the lack of border controls and ill-equipped and insufficiently trained national law enforcement authorities throughout this region.

The United States Has a Limited Drug Assistance Program

The United States has focused most of its efforts to address the drug threat in Southwest Asia on Pakistan because the government there has had the most conducive atmosphere to accept drug control assistance. From fiscal year 1990 to 1996, the Department of State spent about \$24 million to support drug control efforts, including development of Pakistani law enforcement capability and opium poppy crop elimination, and for demand reduction. The Drug Enforcement Administration (DEA) maintains a presence in Pakistan to assist the development of law enforcement institutions and the dismantling of drug trafficking groups and their processing centers, and to provide regional coverage of Afghanistan and the Central Asian Republics.

The United States does not have a direct counternarcotics program in Afghanistan due to the lack of a central government caused by an ongoing civil war. However, the Department of State provides limited assistance through donations to the activities of the United Nations Drug Control Program (UNDCP) and support for crop control and demand reduction projects from its mission in Islamabad, Pakistan. During fiscal years 1990-96, the Department of State provided \$942,000 for its crop control

⁴Section 490 of the Foreign Assistance Act of 1961, as amended, requires withholding of bilateral foreign assistance and opposition to multilateral assistance to major illicit drug-producing countries and major drug transit countries. These provisions will not apply in cases in which, under section 490(b), the President determines and certifies to Congress that either (1) the country has cooperated fully during the previous year with the United States or has taken adequate steps on its own to achieve compliance with the goals and objectives established by the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances or (2) vital national interests of the United States require support for such assistance. The act provides further, that if the country is a licit producer of opium, the President may only make the certification if the President determines that the country (1) maintains licit production and stockpiles at levels no higher than those consistent with licit market demand and (2) has taken adequate steps to prevent significant diversion of its licit cultivation and production into illicit markets and to prevent illicit cultivation and production.

projects implemented by non-governmental organizations in Afghanistan and earmarked \$2.6 million for UNDCP activities. In India, the Department of State has a limited assistance program supporting law enforcement training and information sharing, providing equipment, and improving diversion controls on precursor chemicals that can be used to manufacture illicit narcotics and licit opium production. According to the Department of State, the United States does not provide counternarcotics assistance to Iran due to the lack of bilateral relations between the two countries and has decertified Iran for cooperation on drug control since 1987.

Direct State Department counternarcotics assistance programs began in Russia during fiscal year 1994, and funding for the Central Asian Republics was started during fiscal year 1996. From fiscal year 1994 to 1996, the Department of State provided about \$1.1 million to these countries to support establishment and strengthening of host government institutions, law enforcement training, and provision of equipment, such as handcuffs, forensic and drug testing kits, vehicles, fuel, and communications gear. The U.S. counternarcotics presence is limited to a recently opened law enforcement section and a DEA attache office at the U.S. embassy in Moscow. In the Central Asian Republics, the Department of State relies on various officials at its posts for counternarcotics reporting, and DEA provides regional coverage from its attache offices in Pakistan.

Major Obstacles in the Region

Drug control efforts supported by the United States and other donors face significant obstacles in Southwest Asia, Russia, and the Central Asian Republics. According to U.S. counternarcotics officials, the primary obstacle to addressing the heroin threat from Southwest Asia is the lack of a central government in Afghanistan. Further, while the Taliban militia control most of the country and over 90 percent of the opium cultivation areas, its drug control commitment is suspect, and there are no national law enforcement authorities that could implement an effective program. According to the Department of State, U.S. assistance in Pakistan has increased that nation's law enforcement capability and facilitated eradication efforts. However, lack of government control of key opium poppy cultivation and processing areas and corruption have hampered progress. Department of State and DEA officials told us that there are numerous obstacles in Russia and the Central Asian Republics, including lack of national counternarcotics plans, law enforcement institutions with limited training and funding, poorly policed borders, and corruption facilitated by the entrenched presence of Russian organized crime. While

the United States and other donors have begun implementing drug control programs in the former Soviet Union to address these issues, these efforts are still in their nascent stages.

Status of India's Efforts to Control Licit Opium Diversion

While the government of India has imposed controls in recent years that have enhanced its ability to prevent diversion, the government agency responsible for monitoring the licit crop is understaffed and cannot provide effective oversight over all of the licit opium crop. Furthermore, farmers can easily exceed the minimum opium yield required to retain a government license. They may sell the additional production to the government or choose to divert the excess into the illegal market. Farmers have strong financial incentives to divert excess portions of their licit crops since they can obtain substantially better prices for opium offered on the unofficial market as compared to the government rate. The government of India estimates that only small amounts of licit opium are diverted annually into illicit channels, but U.S. counternarcotics officials told us that the amount diverted may be as high as 20 percent. India has not allowed the United States to participate in a joint opium crop yield survey, so future agreement on the amount diverted is unlikely. However, U.S. officials told us that most of the diverted opium is consumed by addicts in India and the surrounding region and does not constitute a direct threat to the United States.

Further information about regional opium production and trafficking threats, U.S. drug control efforts, obstacles to U.S. efforts, and issues associated with India's attempts to control licit opium diversion are contained in briefing sections I, II, III, and IV, respectively.

Agency Comments

In commenting orally on a draft of this report, the Department of State, DEA, and ONDCP advised us that they generally agreed with the information presented and that they had no substantive comments. The Department of State and DEA provided some suggested technical corrections and we incorporated them in the text where appropriate.

Scope and Methodology

We obtained information on the opium production and trafficking threat in Southwest Asia, Russia, and the Central Asian Republics from intelligence assessments compiled by DEA and U.S. intelligence agencies. Opium poppy cultivation and production statistics in Southwest Asia for the period 1987-96 were derived from the Department of State's International

Narcotics Control Strategy Report issued in March 1997. These figures represent the best available U.S. estimates on the cultivation and production threat. To obtain information on the Southwest Asian heroin threat to the United States, we reviewed DEA and Office of National Drug Control Policy (ONDCP) reports on the prevalence of heroin from this region in the U.S. market and discussed this data with appropriate agency officials.

We identified U.S. drug control efforts and obstacles to their implementation in Southwest Asia, Russia, and Central Asia by reviewing planning and program documents, including cables, correspondence, and official reports from the Department of State, DEA, and ONDCP and supplemented this information in discussions with agency officials. We obtained funding information on State Department efforts by reviewing budget documents and verifying amounts with officials responsible for individual country programs. In addition, we gathered data and held discussions with agency officials on the status of counternarcotics efforts conducted by governments of heroin-producing and trafficking countries in Southwest Asia, Russia, and the Central Asian Republics. We also reviewed UNDCP documents on its ongoing and proposed drug control activities in Southwest Asia and the Central Asian Republics and identified U.S. funding earmarked to support these efforts during fiscal years 1990-96.

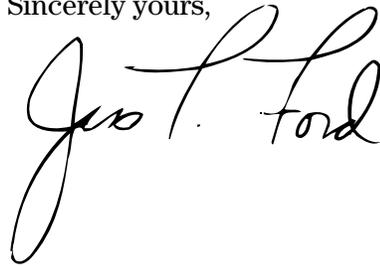
We gathered information on issues associated with India's attempts to control diversion of its licit opium crop from official reports issued by the Department of State and DEA and supplemented the information with interviews of appropriate officials at these agencies.

We conducted our review from November 1996 through April 1997 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to the Secretary of State; the Administrator, DEA; the Director, ONDCP; and interested congressional committees. We will make copies available to other interested parties upon request.

The major contributors to this report were Louis Zanardi and Daniel Tikvart. If you or your staff have any questions concerning this report, please call me on (202) 512-4268.

Sincerely yours,

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J" and a distinct "T" and "F".

Jess T. Ford, Associate Director
International Relations and Trade Issues

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Abbreviations

AA	acetic anhydride
ANF	Anti-Narcotics Force
CBN	Central Bureau of Narcotics
DEA	Drug Enforcement Administration
MT	metric ton
ONDCP	Office of National Drug Control Policy
UNDCP	United Nations Drug Control Program

Heroin Threat

GAO Southwest Asian Heroin in the United States

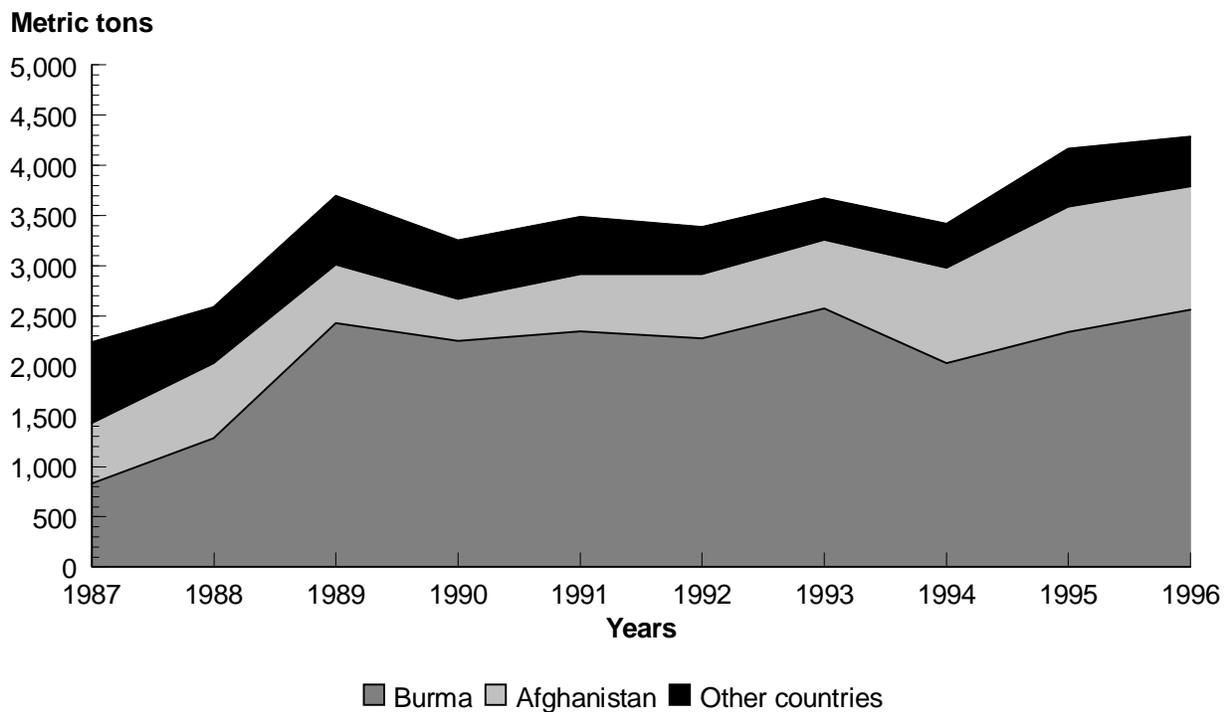
- U.S. analysts do not believe heroin from this region is increasingly available in the United States.
 - Distribution is limited to Southwest Asian ethnic communities in a few large U.S. urban centers.
 - Southwest Asian heroin is less pure, and thus less competitive in the U.S. market, than heroin from Colombia or Southeast Asia.
 - U.S. heroin seizure data for 1995 is not a direct indicator of the amount of Southwest Asian heroin available in the U.S. market.
-

According to the Drug Enforcement Administration (DEA), Southwest Asia is presently not a major source of heroin in the United States. Most of the heroin produced in Southwest Asia is destined for consumption regionally or in the European market due to the easier accessibility and established trafficking routes between the two regions. DEA reports that the distribution of Southwest Asian heroin arriving in the United States is limited to large urban centers with significant Southwest Asian ethnic populations, including Chicago, Detroit, Los Angeles, and New York City.

Furthermore, according to DEA, the low purity of Southwest Asian heroin limits its competitiveness with heroin from Colombia and Southeast Asia. In 1995, average retail purity levels for Southwest Asian heroin (35 percent) lagged behind regional averages for Southeast Asia (45 percent) and especially South America (56 percent). Higher purity levels allow users to inject heroin through nasal inhalation rather than injections using hypodermic syringes. Inhalation is easier than injection and users avoid contracting the diseases associated with using needles.

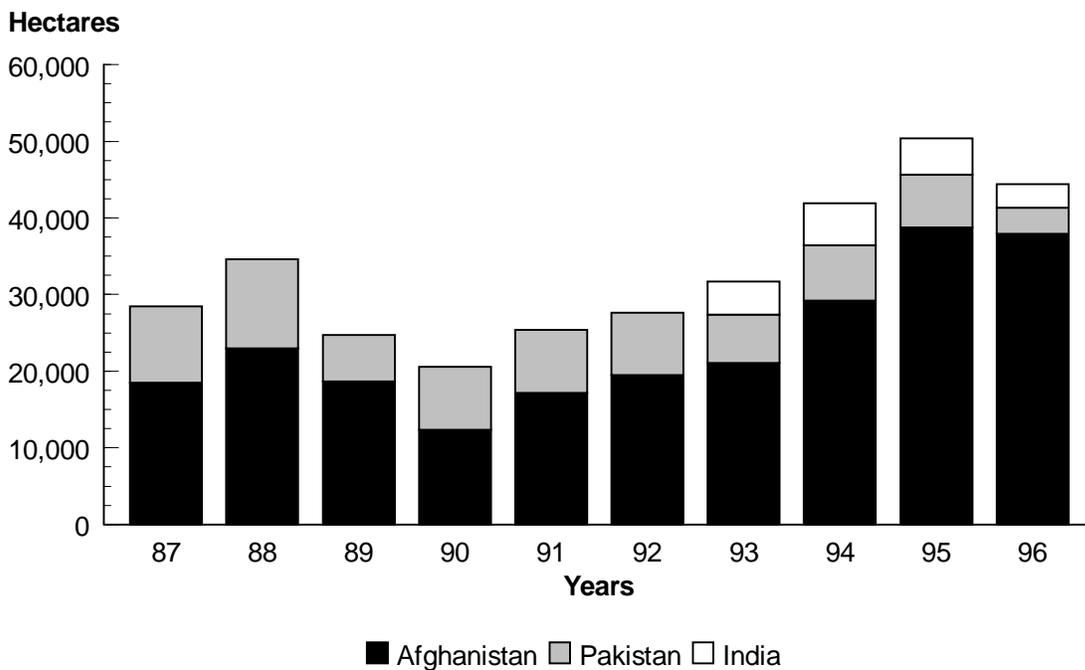
Although there was an increase in the proportion of Southwest Asian heroin in the total net weight of heroin seized in the United States from 1994 to 1995 (up from 6 percent in 1994 to 16 percent in 1995), DEA reported that this rise did not reflect a greater availability of heroin from this region in the U.S. market. DEA officials explained that 1995 data included one large seizure that skewed 1995 results. Excluding this seizure, Southwest Asian heroin represented about 6 percent of the total net weight of U.S. heroin seizures, the same amount as in 1994.

GAO Worldwide Illicit Opium Production by Country, 1987-96



In 1996, worldwide illicit opium production reached the record level of about 4,300 metric tons (MT), according to the Department of State. Most of this production occurred in two countries—Burma and Afghanistan. Burma accounted for about 60 percent of worldwide production, or 2,560 MTS; Afghanistan produced almost 30 percent, or 1,230 MTS. Other countries such as Laos, Vietnam, Pakistan, Colombia, Mexico, and India produced the remaining amount. Moreover, United Nations Drug Control Program (UNDCP) figures, derived from an on-the-ground survey, indicated that opium production in Afghanistan for 1996 exceeded 2,000 MTS. Specifically, the survey indicated that between 55,000 and 58,000 hectares of opium poppy were under cultivation and could yield between 2,200 and 2,300 MTS of opium.

GAO Southwest Asian Illicit Poppy Cultivation, 1987-96

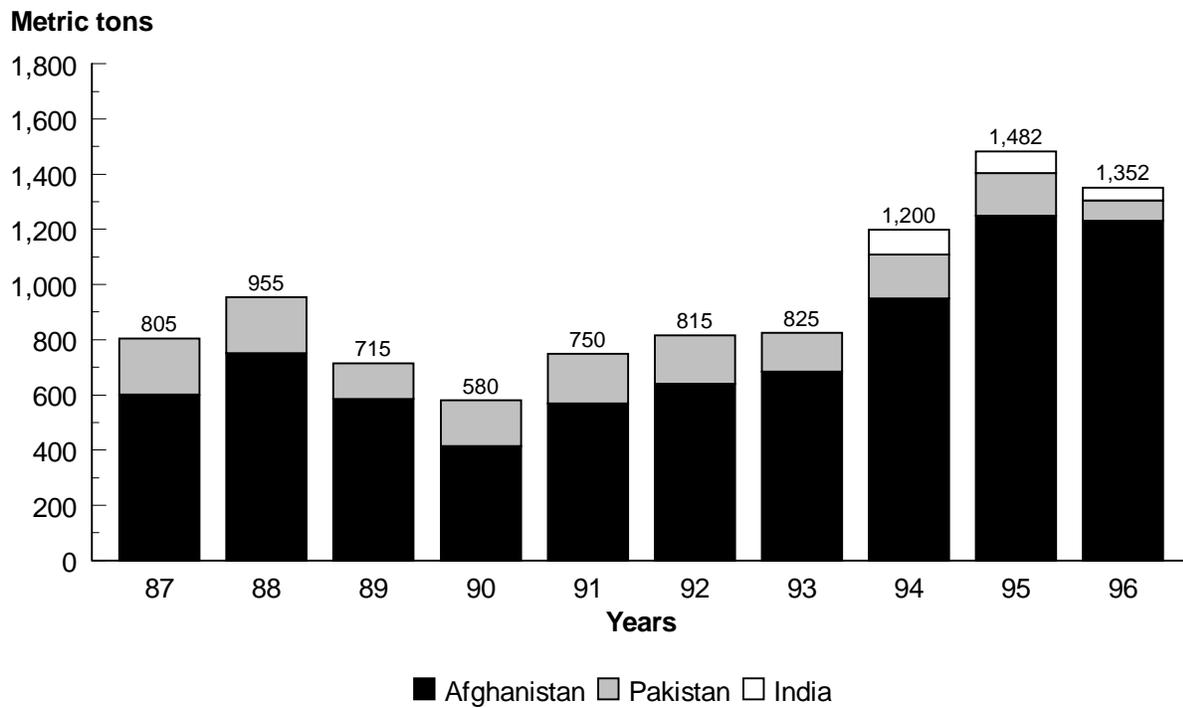


Overall illicit poppy cultivation increased significantly from 1987 to 1996 in Southwest Asia. Most of the increase was due to an expansion of cultivation in Afghanistan. In 1996, farmers in Afghanistan cultivated 37,950 hectares of poppy, making it the world's second largest grower behind Burma, which cultivated 163,100 hectares according to the Department of State. Afghanistan's cultivation expanded rapidly from 1990 to 1996, more than tripling during that period.

During the same time frame, illicit opium poppy cultivation in Pakistan remained stable until 1996, when there was a 51-percent decrease from 1995. U.S. officials attributed the decline to poor weather, decreases in regional opium prices, and the success of alternative development projects in the area. With regard to the alternative development projects, U.S. officials told us that they had not conducted overall evaluations of their impact, but cultivation decreases in regions of U.S. project assistance were most dramatic. However, according to DEA, regional opium prices are now at their highest levels in recent years and DEA officials believe that Pakistan's overall illicit opium production will increase to previous levels.

Illicit poppy cultivation also occurred in India and Iran. India had about 3,100 hectares of illicit poppy under cultivation in 1996—down from the 4,750 hectares reported in 1995. Due to the lack of diplomatic relations between the United States and Iran, illicit cultivation in Iran was difficult to confirm. However, the Department of State reported that in 1993, when the last U.S. assessment of a portion of Iran was conducted, there were approximately 3,500 hectares of illicit poppy under cultivation that could yield between 35 and 70 MTS of opium production.

GAO Southwest Asian Illicit Opium Production, 1987-96



Southwest Asian opium production closely tracked opium poppy cultivation statistics. For example, Afghanistan's opium production, like poppy cultivation, has almost tripled since 1990, and Pakistan's 1996 opium production has declined by 52 percent from the 1995 level. In addition, there was more Afghan opium being processed at Afghan laboratories instead of in Pakistan. According to DEA, Pakistani opium production should rebound to previous levels and could possibly exceed the 140 to 160 MT level. While India's illicit opium and heroin production capability was small in comparison to Afghanistan's and Pakistan's, it was a major international manufacturer (40,000 MTS annually) of acetic anhydride (AA), a key chemical needed to convert opium into heroin. According to DEA, a substantial portion of diverted worldwide AA supplies originated in India. Drug traffickers smuggled undetermined amounts of AA to heroin processing sites in both Southeast and Southwest Asia. According to the State Department and DEA, controls implemented by the government of India in 1993 have reduced AA availability for illicit purposes. Data on Iran's illicit opium production is difficult to obtain. The Department of State reported that in 1987, Iran may have produced 300 MTS of opium. In 1993, based on limited information, the official U.S. assessment estimated that Iranian production ranged from 35 to 70 MTS per year.

GAO Russia and the Central Asian Republics

- Russia and the Central Asian Republics are not classified as major cultivators or opium producers.
 - Since the breakup of the Soviet Union, drug trafficking for Southwest Asian heroin through the Central Asian Republics and Russia has increased.
 - Most of the Southwest Asian heroin transiting the Central Asian Republics and Russia is destined for Europe.
-

U.S. officials do not know the exact extent of opium poppy cultivation in Russia and the Central Asian Republics because there have been only limited attempts to survey suspected cultivation areas. While cultivation areas exist, the U.S. government has not classified countries in this region as major poppy cultivators or opium producers.¹ U.S. officials also told us that most of the poppy cultivated is harvested in the form of crushed poppy straw and is consumed locally.

Since the breakup of the Soviet Union, Southwest Asian drug traffickers have increased their use of transit routes through the Central Asian Republics and Russia as a supplement to traditional routes through the Balkans and the Mediterranean, according to DEA reporting. Most of the heroin transiting the Central Asian Republics and Russia is destined for consumers in European markets, but local consumption is also increasing. According to DEA, Europe is the traditional market for Southwest Asian heroin due to its easier accessibility and the existence of established drug trafficking networks.

Heroin is not used in large quantities by opiate abusers in Russia and the Central Asian Republics. However, U.S. counternarcotics and government officials in the region believe that heroin abuser populations are likely to expand and create more demand for illicit drugs in these countries as opium, heroin, and other illicit drugs become more readily available.

¹In terms of opium production, the United States defines a major illicit drug producing country as one in which 1,000 hectares or more of illicit opium poppy is cultivated or harvested during a year. To date, the United States has not identified amounts that meet or exceed this threshold of cultivation in these countries.

GAO Russia and the Central Asian Republics (cont.)

- Russian and other ethnic-based organized crime groups move illicit drugs throughout the former Soviet Union.
 - Drug trafficking and other illegal activities supported by Russian organized crime threaten financial institutions and increase capital flight from the former Soviet Union.
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Russian organized crime groups and their counterparts in the Central Asian Republics have been moving a variety of illicit drugs, including opium, opium poppy straw, and heroin, throughout the former Soviet Union. According to DEA, drug trafficking was one of many illegal enterprises managed by these crime groups: others involved racketeering, prostitution, extortion, moving stolen property, weapons and alien smuggling, and money laundering.

According to DEA, Russian organized crime money laundering from drug trafficking and other illegal activities has been corrupting Russian and Central Asian governmental and financial institutions and increasing capital flight from these countries. In 1995, for example, approximately 25 percent of the commercial banks in Moscow was reported by DEA to be controlled by organized crime. Corruption among law enforcement authorities in Russia and the Central Asian Republics supported by organized crime has also been growing. For example, in some Central Asian countries, extremely low pay for border guards has fostered susceptibility to payoffs from drug traffickers. Moreover, a 1996 law enforcement report indicated that Russian citizens have been increasing their monetary deposits in financial institutions and investments outside of Russia both as an alternative source for laundering illegal proceeds and because legitimate Russian citizens lacked faith in the financial system.

U.S. Drug Control Efforts in the Region

GAO U.S. International Heroin Control Strategy Objectives

- Strengthen international cooperation against drug traffickers.
 - Assist source and transit countries in developing comprehensive counternarcotics policies.
 - Implement law enforcement efforts aimed at disrupting and destroying drug trafficking organizations.
 - Use the drug certification process to promote effective counternarcotics activities in heroin producing and trafficking nations.
 - Focus on countries and regions posing the most direct threat to the United States.
 - Promote the UNDCP's efforts in countries where U.S. bilateral influence is limited.
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U.S. international heroin control strategy objectives include strengthening international cooperation for efforts against drug traffickers, assisting source and transit countries in developing comprehensive counternarcotics policies, implementing law enforcement efforts aimed at disrupting and destroying drug trafficking organizations, using the drug certification process to promote effective counternarcotics activities in heroin producing and trafficking nations, and promoting multilateral efforts such as those of UNDCP in countries where U.S. bilateral influence is limited. The United States pursues these objectives in a variety of countries and regions where opium and heroin are produced and trafficked. U.S. heroin control efforts are greater in countries where the United States has a cooperative relationship and where the host government has the resources and ability to control production and trafficking areas. In Southwest Asia, the U.S. ability to achieve these objectives is limited by the lack of host government control of areas where opium poppy cultivation and heroin processing and trafficking occurs. In Russia and the Central Asian Republics, host governments lack counternarcotics resources and capability and have sought U.S. counternarcotics assistance and cooperation on drug control.

GAO Afghanistan

- The United States does not have a direct counternarcotics program there.
 - The United States decertified Afghanistan from 1987 to 1992 and from 1995 to 1997 for not cooperating in drug control efforts.
 - From fiscal year 1990 to fiscal year 1996, the Department of State provided \$947,000 through the U.S. mission in Pakistan to support small crop control projects run by non-governmental organizations.
 - DEA provides regional coverage of Afghanistan from its offices in Pakistan.
 - From fiscal year 1990 to fiscal year 1996, the United States earmarked \$2.6 million to support UNDCP projects in Afghanistan.
-

Because Afghanistan lacks a central government, the United States, in 1996, did not have an active program with that country directed toward controlling illicit opium poppy cultivation or opium and heroin trafficking. In fact, the United States decertified Afghanistan for not cooperating in counternarcotics activities from 1987 to 1992 and from 1995 to 1997. The 1997 decertification decision was based on Afghanistan's large amount of opium poppy cultivation (37,950 hectares in 1996) and its lack of law enforcement action against drug trafficking activity.

Without a diplomatic presence in Afghanistan, the United States carries out its drug control efforts through the Narcotics Affairs Section at the U.S. mission in Islamabad, Pakistan. During fiscal years 1990-96, the Department of State provided \$947,000 for (1) opium poppy crop control and demand reduction projects run by nongovernmental organizations and (2) a limited amount of law enforcement training. The scope of these projects has been small in comparison to the rapid expansion of opium production in part because Afghanistan has no central government and the United States has concerns about the strength of the Taliban commitment to illicit opium crop reduction. The intent of these programs has been to keep the United States involved in drug control activities and to create a foundation for establishing a bilateral program in the future. In lieu of a larger U.S. effort, the United States is encouraging its European allies that are more directly affected by Afghanistan's opium production to increase their counternarcotics efforts.

After the Soviet Union invaded Afghanistan in 1979, DEA closed its office in Kabul, the capital of Afghanistan, but continued to collect intelligence on drug trafficking activities in Afghanistan from its offices in Pakistan. According to DEA officials, the lack of a central Afghani government and national law enforcement elements makes it difficult to gather drug trafficking information.

In addition to direct assistance, from fiscal year 1990 to 1996, the United States provided about \$2.6 million of earmarked funds to UNDCP counternarcotics institution building and opium supply reduction activities in Afghanistan. UNDCP is preparing to begin a 4-year, \$16-million project focused on institution building, poppy crop and demand reduction, and a drug control monitoring system. The State Department has donated \$1.6 million to support this project.

GAO Pakistan

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- The Department of State provided \$24.35 million from Fiscal Year 1990 to 1996 for drug control programs. The Fiscal Year 1997 program of \$2.5 million supports
 - law enforcement,
 - crop reduction, and
 - demand reduction.
 - DEA supports development of Pakistani law enforcement institutions and works with its counterparts to dismantle drug trafficking organizations.
-

Between fiscal year 1990 and 1996, Pakistan was the main focus of U.S. counternarcotics efforts in Southwest Asia. During the period, the Department of State provided \$24.35 million to support three primary programs: (1) development of law enforcement institutions, (2) elimination of opium poppy crops, and (3) reduction of Pakistani demand. During fiscal year 1996, the State Department provided \$2.5 million for these programs (\$1.23 million for law enforcement support, \$640,000 for illicit crop control, and \$630,000 for administrative

support) and directed its effort through the Narcotics Affairs Section at the U.S. embassy in Islamabad with a staff of 3 Americans (2 direct hire staff in Islamabad and 1 personal service contract staff in Peshawar) and 13 foreign service nationals. In addition, DEA's 16-member staff worked with the Pakistani government to arrest the heads of major trafficking organizations, shared counternarcotics intelligence with the Pakistani police, and provided law enforcement training. DEA's regional office also had responsibility for drug control efforts in Afghanistan and the Central Asian Republics.

U.S. assistance for Pakistani law enforcement authorities primarily supported the Anti-Narcotics Force (ANF), but also included Customs, the Frontier Corps, and the Coast Guard. The fiscal year 1996 law enforcement support program consisted of training and provision of equipment such as communications gear and vehicles. According to the Department of State, this assistance increased the professionalism of host nation drug enforcement agencies and is expected to enable ANF and Pakistani Customs to expand their operations by opening offices and raising staffing levels.²

Pakistan bans opium poppy cultivation and supports eradication efforts in areas under firm government control. The United States supported Pakistani efforts to extend the ban and eradication campaigns to hard-to-reach regions of the Northwest Frontier Province by providing road construction, crop substitution, and developmental assistance. Road construction in poppy growing areas increased the ability of Pakistani law enforcement to conduct eradication efforts and pursue destruction of heroin-processing laboratories. To assist farmers in developing alternative crops, the program provided agricultural supplies such as farm equipment and seeds, technical expertise, electrification, and water supplies. State Department officials told us that other factors also contributed to Pakistan's production decline in 1996, including heavy opium poppy cultivation in Afghanistan that depressed opium prices in Pakistan and increased the economic viability of alternative crops such as wheat and tomatoes. Despite this decline, Pakistani opium production should rebound to previous levels and could possibly exceed the 140- to 160-MT level according to DEA.

The United States also supported a demand reduction project that has a goal of reducing Pakistan's population of 1.5 million heroin addicts.

²In 1996, the State Department offered to lease six UH-1H helicopters at no cost to ANF to assist interdiction efforts against drug trafficking caravans. The government of Pakistan did not respond, however, and the helicopters were ultimately reassigned for use elsewhere.

Briefing Section II
U.S. Drug Control Efforts in the Region

According to the State Department, the U.S. program bolstered ANF projects to increase public awareness of the dangers of abusing illicit drugs. However, no formal evaluations of project impact have been performed.

Briefing Section II
U.S. Drug Control Efforts in the Region

GAO India

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- From 1990 to 1996, the Department of State provided \$245,000 for India's drug control efforts.
 - DEA has a small presence in India.
 - The United States is encouraging the government of India to devote more resources to its drug control activities, particularly those relating to the prevention of diversion of chemicals used by the illicit drug trade.
 - India has consistently received full certification for cooperation on drug control issues with the United States.
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Briefing Section II
U.S. Drug Control Efforts in the Region

From 1990 to 1996, the Department of State provided \$245,000 to support law enforcement training and to enhance diversion controls on licit opium production. DEA maintains a small presence in India and facilitates counternarcotics investigations and training. The United States is encouraging the government of India to invest more resources in its counternarcotics police and control of precursor chemicals that can be used to manufacture illicit narcotics and to update its asset seizure, asset forfeiture, and money laundering laws. India has consistently received full certification for cooperation on drug control issues with the United States.

GAO Iran

- Is a major transit country for opiate products leaving Afghanistan and Pakistan, but has low levels of cultivation and production compared to regional neighbors.
 - Has no diplomatic relations with the United States; it has been decertified for drug control cooperation since 1987.
 - Other countries report Iran is taking some action to control drug trafficking. However, reports suggest that corruption is a factor in Iran's interdiction program according to DEA.
-

Iran is a major transit country for illicit opiate products moving from Pakistan and Afghanistan to processing sites in Turkey and drug consumers in Europe and the United States. In 1993, when the last U.S. assessment of poppy cultivation in a limited area in Iran occurred, there were an estimated 3,500 hectares under cultivation that could produce between 35 MTS and 70 MTS of opium—small amounts compared to those of Afghanistan and Pakistan.

The United States does not maintain diplomatic relations with Iran and has decertified Iran for counternarcotics cooperation since 1987. The lack of bilateral relations restricts the amount of information the United States has about Iranian opiate control efforts and thus makes it difficult to estimate the size of Iran's opium poppy crop or assess Iran's efforts to interdict drug trafficking.

The government of Iran has ratified the 1988 U.N. drug control convention³ and claims it engages in a variety of counternarcotics efforts, including control of opium poppy cultivation and interdiction of drugs. According to the State Department, other countries have reported that Iranian opium poppy cultivation has declined in response to the increasing availability of opium from Afghanistan and that Iranian law enforcement authorities with counternarcotics responsibilities have made large seizures of heroin and opium. Iran participates in an agreement with Pakistan and UNDCP to control drug trafficking in the region.

³The 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances seeks international consensus on criminalizing the production of and trafficking in illicit drugs. The convention provides the legal framework for countries to legislate controls and to cooperate with each other on drug control issues.

GAO Russia and the Central Asian Republics

- The United States provides counternarcotics support in the following areas:
 - establishment and strengthening of host government institutions through law enforcement training and provision of equipment;
 - implementation of U.N. drug conventions, including legislative assistance, money laundering regulations, and chemical control programs;
 - demand reduction training; and
 - contributions to UNDCP to assess counternarcotics needs and establish drug control institutions.
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U.S. counternarcotics efforts in Russia and the Central Asian Republics are designed to address the basic drug control needs of countries emerging from the influence of the former Soviet Union. According to U.S. drug control officials, countries in this region are willing to cooperate on drug control issues but generally lack the means to implement effective programs without assistance. U.S. drug control objectives in the region include (1) establishing and strengthening law enforcement institutions, (2) implementing U.N. drug control conventions and other legislative and

regulatory mechanisms necessary for effective drug control efforts, (3) increasing awareness of drug abuse and supporting the development of demand reduction programs, and (4) encouraging other donors such as UNDCP to increase their drug control activities.

Most of the direct U.S. counternarcotics funding that these countries receive supports law enforcement training and provision of equipment such as handcuffs, forensic and drug testing kits, and communications gear. National law enforcement authorities generally lack adequate resources to control borders, make arrests, or conduct investigations, according to U.S. drug control officials and reports.

The U.S. government has encouraged countries in the region to accede to U.N. drug control conventions and has provided advice on how to design essential drug control legislation and national drug control strategies that would bring them into compliance. Kazakstan is not yet a party to the 1988 U.N. drug control convention. However, according to the State Department, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, and Russia have acceded to U.N. conventions but must pass legislation to fully implement them.

The United States has supported UNDCP drug control efforts in the region through earmarked contributions. UNDCP has provided technical assistance in implementing national drug control policies, strategies, and legislation, and enhancing cooperation between countries in the region. In 1996, the five Central Asian Republics and UNDCP signed a memorandum of understanding designed to enhance drug control cooperation between these countries.

GAO U.S. Drug Control Expenditures in Russia and the
Central Asian Republics, Fiscal Years 1994-96

Country	U.S. Expenditures
Russia	\$ 780,000
Kazakstan	100,000
Kyrgyzstan	50,000
Tajikistan	15,000
Turkmenistan	81,000
Uzbekistan	100,000
Total	\$ 1,126,000

U.S. drug control programs in the region are new and small in scope relative to those in drug producing and transit regions where the United States has traditionally supplied assistance. Between fiscal year 1994 and 1996, the State Department provided about \$1.1 million in direct support and earmarked about \$1.45 million for UNDCP activities during fiscal years 1993-96. About \$800,000 of the direct assistance went to Russia beginning in fiscal year 1994; the remainder was divided among the five Central Asian Republics. The United States also provided training and technical assistance to law enforcement institutions in Russia and the Central Asian Republics with Freedom Support Act funds. According to Department of State officials, in fiscal year 1996, approximately \$3.7 million of Freedom Support Act funding enabled counternarcotics-related training designed to address illicit drug trafficking, organized crime, and illegal money laundering activities.

U.S. drug control staffing in Russia and the Central Asian Republics is also limited. In 1995, the State Department opened a law enforcement section that had drug control responsibilities at the U.S. embassy in Moscow with one U.S. staff. In 1996, DEA opened a one-person attache office. Neither agency has a direct drug control presence in the Central Asian Republics, although the State Department tasks embassy officials at its various posts with periodic reporting and delivery of assistance, and DEA provides regional coverage from Pakistan.

Impediments to U.S. Drug Control Efforts

GAO Afghanistan

- Country lacks a central government that can control poppy cultivation areas and implement drug control programs.
- The Taliban and other Afghan factions appear to profit from the illegal drug trade.
- Afghanistan's opium farmers lack alternative income sources.

A major obstacle to progress in controlling the illicit drug industry in Afghanistan is the lack of a central government committed to controlling opium poppy cultivation areas and implementing drug control programs. According to State Department officials, no national law enforcement authority exists. While the Taliban militia controls approximately two-thirds of the country, including Kabul, its commitment to drug control is unclear. According to DEA, the Taliban militia have punished traffickers and destroyed opium poppy crops during its drive to consolidate control.

However, DEA and the State Department also report that Taliban commanders have allowed farmers to continue to cultivate poppy and produce opium. The Department of State and DEA have reported that the Taliban and other factions tax opium poppy and other agricultural products in areas they govern. As the Taliban and other factions continue to vie for control of the country, drug control remains a low priority in Afghanistan.

An additional obstacle to drug control programs in Afghanistan is the lack of alternative sources of income for farmers living in poppy cultivation areas. The Soviet invasion in the 1980s and the continuing civil war devastated the local economy and infrastructure in poppy cultivation areas. Opium production increased dramatically in the early 1990s as the population, including returning Afghan refugees, found it difficult to market traditional food crops and turned to poppy cultivation to supplement their incomes. According to a Department of State official, even if a strong central government is established, substantial outside donor assistance for reconstructing the economy and implementing alternative development programs would be required to achieve long-term success in reducing the opium poppy crop and addressing recent increases in heroin processing activity.

GAO Pakistan

- The government of Pakistan does not exercise direct control over the Northwest Frontier Province, where most opium production occurs.
- Pakistani law enforcement efforts continue to be impeded by lack of initiative against major traffickers.
- Corruption significantly affects drug control efforts.
- Pakistan's government moves slowly on drug control issues.

The most significant barrier to drug control in Pakistan is that the Pakistani government does not control the Northwest Frontier Province, where most opium production occurs. Local tribal groups were given control when the area was divided upon the British departure from the region, and the government is reluctant to interfere with their rule and illegal drug processing and trafficking activities, fearing a civil war. As a result, few raids have been mounted against heroin processing laboratories. Although thousands of drug trafficking arrests and drug

seizures are made annually, most arrests involve low-level traffickers. Furthermore, convictions for drug trafficking offenses are often difficult to obtain in the Pakistani courts. According to a 1996 law enforcement report, Pakistani law enforcement officials displayed little initiative in pursuing major traffickers and were hampered by lack of wiretap authority in building their cases against traffickers. As a result, DEA efforts to obtain the arrest of major traffickers are often impeded.

The ANF has encountered numerous obstacles since it was created in 1994 to replace the Pakistan Narcotics Control Board. The Pakistan Narcotics Control Board was responsible for drug enforcement but was disbanded due to lack of accomplishments and the prevalence of corruption within the organization. According to the State Department, the ANF's performance has been hampered by insufficient funding, inadequate staffing, and leadership turnover. For example, in 1996, ANF staff numbered less than 1,000 and the majority of them lacked adequate law enforcement experience.

Another impediment to effective drug control is corruption within the law enforcement community. According to DEA, law enforcement and prosecutorial systems have been subverted by wealthy and politically influential drug traffickers. The poor pay that Pakistani law enforcement officials earn increases their susceptibility to corruption. In 1996, the State Department reported that senior ANF officials were responsible for perpetrating a 2-ton opium seizure that was a hoax. Finally, the Pakistani counternarcotics police lack a bureaucratic system for identifying, investigating, and recommending action against corrupt officers despite problems with corruption in its predecessor organization.

Pakistan's slow executive, legislative, and judicial processes impede drug control efforts as well. For example, Pakistan's national 5-year counternarcotics plan developed in 1995 has not yet been approved. According to the State Department, Pakistan's parliament has delayed final passage of a comprehensive counternarcotics law and has not passed legislation that would criminalize money laundering. In addition, the slow pace of Pakistan's judicial process delays prosecution and sentencing of drug traffickers and limits the number of extraditions of major traffickers. For example, a State Department report notes that a verdict has yet to be announced in the case of one major trafficker 3 years after the end of the trial.

GAO Russia and the Central Asian Republics

- Countries lack comprehensive national drug control policies, strategies, and legislation.
- Counternarcotics police forces are deficient in training, equipment, and general funding support.
- Corruption impedes law enforcement effectiveness.

In 1996, Russia and the Central Asian Republics faced a number of significant obstacles to implementing drug control programs. First, comprehensive national drug control policies, strategies, and legislation either did not exist or were not yet fully developed. For example, Kazakhstan, Krygyzstan, Turkmenistan, and Uzbekistan were still devising national drug control strategies. The State Department reported that Krygyzstan did not have laws that covered asset seizure or money laundering, and Uzbekistan did not have effective money laundering

legislation or asset seizure regulations. Russia still lacks adequate money laundering laws and regulations.

Moreover, counternarcotics police forces have not received sufficient training, equipment, and general funding support, which impeded their ability to combat drug production and trafficking. For example, the State Department reported that in 1996, the President of Kyrgyzstan ordered a 30-percent cut in manpower in government agencies, including the lead drug control agency. In Kazakhstan and Tajikistan, budget and/or fuel shortfalls severely hampered poppy eradication efforts. Also, Uzbekistan did not have a sufficient counternarcotics police force, and customs officials at border checkpoints lacked training in detecting drug smugglers.

In addition, corruption has impeded law enforcement effectiveness at all levels. For example, the State Department reported that while the United States had no reports of high-level government officials involved in the drug trade in Russia, many observers believed that most political parties receive support from Russian organized crime groups, some of which are involved in narcotics trafficking. At the working level, border control officials in the region generally received low salaries and were susceptible to bribes. In addition, there were allegations of direct participation by law enforcement authorities in the drug trade according to the State Department. For example, in Tajikistan, Tajik and Russian border guards were alleged to have been involved in trafficking drugs. Also, in Kyrgyzstan, the State Department reported that seized drugs may have been resold by law enforcement personnel.

Controlling Diversion of India's Licit Opium Production

GAO Background

- India is the world's largest producer of licit opium for use in pharmaceuticals.
 - The government of India controls the amount of licit opium produced by licensing farmers.
 - The U.S. "80/20 rule" specifies that at least 80 percent of licit opium imported into the United States must come from India and Turkey.
 - The rule attempts to limit the number of nations involved in the trade and assure a flow of reasonably priced opium to meet U.S. medical needs.
-

India is the world's largest producer of licit opium for use in pharmaceutical products (849 MTS during the 1995-96 crop year) and is the only country that still produces opium gum for export, according to the Department of State. Opium gum is valued highly by pharmaceutical companies for its high alkaloid content needed in manufacturing drugs like the painkiller oxycodone. The government of India licenses farmers to cultivate poppy and produce opium in specified areas. Approximately 78,000 farmers were licensed in the 1995-96 crop year. To retain a license,

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a farmer had to produce a minimum of 46 kilograms of opium per hectare of poppy cultivation. After production was completed, the government of India paid farmers about \$10 per kilogram of opium produced.

To ensure a flow of reasonably priced opium that meets U.S. national medical needs and to limit the number of nations involved in the licit opium trade, the United States implemented the "80/20 rule" in 1981. The "80/20" rule (21 C.F.R. 1312.13) provides that at least 80 percent of licit opium imported into the United States must have as its original source India and Turkey; not more than 20 percent can have as its original source Australia, Hungary, Poland, France, and the former Yugoslavia. According to U.S. officials, India is the primary supplier of licit opium to the United States because India is the only country in the world that produces licit opium gum—a form of opium containing essential chemicals needed by U.S. pharmaceutical companies. Other countries, such as Turkey, produce licit opium in the form of concentrate of poppy straw that does not have a high level of certain alkaloids that U.S. drug manufacturers seek.

GAO Diversion Issues

- Diversion of licit opium into illegal channels occurs, but the actual amount is difficult to confirm.
 - Most of the diverted opium is consumed in India and the surrounding region due to the large number of addicts located there.
 - Financial incentives for farmers to divert licit opium are strong.
 - Lack of accountability over opium stockpiles created shortfalls in filling contracts in 1994 and 1995.
-

The government of India acknowledges that there have been diversions of licit opium into illegal channels but at the low annual levels of about 5 percent. However, U.S. counternarcotics officials believe that 15 to 20 percent of the licit crop may have been diverted. The United States has not accepted India's lower estimates because it has not directly participated in surveys of the opium crop with the Indian government. While Indian agricultural scientists had worked with U.S. counterparts to design a 1996 survey, the Indian government did not allow direct U.S.

participation. Significantly, U.S. officials told us that most of the diverted opium crop was consumed by the large number of addicts in India and the surrounding region.

In 1996, incentives for farmers to divert licit opium remained strong since farmers could achieve yields over the minimum requirement, and unofficial prices were significantly higher than the government rate. Last year, the Indian government offered the opium farmer about \$10 for each kilogram of opium produced for yields up to 60 kilograms per hectare and increased payment to \$17 per kilogram for yields over this threshold. However, the unofficial price for opium was \$200 per kilogram. According to U.S. counternarcotics officials, Indian opium farmers can easily achieve yields above the minimum requirement and therefore have strong financial incentives to divert portions of their excess crop to the unofficial market.

India's lack of accountability over its legal opium stockpile became evident when India experienced shortfalls in meeting contracts with U.S. and other international pharmaceutical companies in 1994 and 1995. An inventory in 1994 showed that there was a shortfall of over 300 MTS in India's licit opium stockpiles. According to State Department and DEA reports, the shortfalls occurred because of the Indian government's failure over a 14-year period to reconcile inventory records with on-hand stocks and because of evaporation and wastage of stock due to poor storage and handling techniques. Although no studies were done to validate the evaporation explanation, DEA officials told us that they believe only a small amount of this shortfall may have been diverted. They noted that there was no evidence of a substantial increase in the supply of illicit opium or heroin available in India during this time frame. In 1995, shortages in meeting demand continued, while orders in 1996 were just met despite an increase in authorized cultivation. According to the Department of State, the stockpile depletion and inability to meet current demand are expected to restrict the amount of potential diversion for the short term until stockpiles are reestablished.

GAO India's Efforts to Control Licit Opium Diversion

- According to U.S. counternarcotics officials, India has taken the following steps to improve diversion control efforts:
 - raising the minimum yield for licensed opium farmers to ensure that only the most productive ones participate;
 - delicensing farmers for failing to meet minimum yields (26,739 farmers faced the risk of delicensing in 1996);
 - reducing the allowable cultivation amount to 200 hectares in Uttar Pradesh, a state where significant diversion was occurring; and
 - deploying paramilitary and police personnel at vulnerable points during harvesting operations to prevent diversion.
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Controlling Diversion of India's Licit Opium
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The government of India has taken some steps to improve its ability to control diversion of legal opium during the last several years. For example, over the past 5 years, the government of India has raised the minimum yield for licensed opium farmers to ensure that only the most productive ones participate. By increasing the yield requirement, the government of India is able to force farmers to deliver more of their crop, reducing the opportunity for diversion. According to the State Department, the minimum yield for the 1996-97 crop year will be increased from 46 to 48 kilograms per hectare for most growing areas. Farmers who fail to meet minimum yields face the risk of losing their licenses. The yield requirement's effectiveness is dependent on enforcing the relicensing procedure. According to DEA, in 1996, 26,739 farmers who failed to meet the minimum yield during the 1995-96 growing season were allowed to continue growing opium poppies, under the condition that farmers who again failed to meet the minimum yield for the 1996-97 season would be permanently delicensed. Further, in 1995, in Uttar Pradesh, a state where significant diversion was occurring, the government reduced the allowable cultivation amount to 200 hectares. To lower the chances of diversion during harvesting operations, paramilitary and police personnel are deployed at vulnerable points. U.S. counternarcotics officials told us that the Indian government has increased controls over its opium stockpile by improving (1) the reliability of its inventories, (2) the security conditions at its storage facilities to prevent theft and evaporation loss, and (3) the security at processing facilities through monitoring equipment provided by the Department of State.

GAO India's Efforts to Control Licit Opium Diversion (cont.)

- India's Central Bureau of Narcotics (CBN) has responsibility for monitoring the licit crop and preventing diversion. However, CBN is understaffed and can only provide oversight for a small percentage of the crop.
- The government designates village headmen, usually the most productive opium farmers in the local community, to be responsible for distributing licenses and ensuring that no farmers have overplanted and that minimum yields are met. However, corrupt headmen and CBN officials can be paid to ignore low yields or overplanting.

During 1996, the Indian government monitored the production process by measuring fields and performing periodic crop inspections by local village officials and CBN agents. The government designated village headmen, usually the most productive opium farmers in the local community, to license farmers, to ensure that farmers did not overplant, and to confirm that minimum yields were met.

**Briefing Section IV
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Production**

However, inherent weaknesses made it difficult to prevent some diversion from occurring. According to DEA, farmers avoided monitoring by extending their legal fields by several rows or cultivating poppy on unregistered land. U.S. estimates of diversion from licensed fields include overplanting based on spot checks conducted by DEA and information obtained from the CBN, although this practice is not as prevalent as farmers who misrepresent their opium production yields. As previously discussed, the State Department estimates that India also had about 3,100 hectares of illicit opium poppy cultivation in 1996 grown by unlicensed farmers. In addition, licit opium farmers paid village headmen and CBN officials to ignore overplanting. Farmers unable to meet minimum yield requirements obtained waivers from corrupt officials, claiming weather and pest damage, and thus were able to retain their licenses. Further, while CBN had monitoring responsibilities, it was understaffed and only able to monitor a small percentage of the crop.

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