



COMMISSION OF THE EUROPEAN COMMUNITIES

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95/0167 (SYN)

Proposal for a
COUNCIL REGULATION (EC)
**ON NORTH-SOUTH COOPERATION IN THE CAMPAIGN
AGAINST DRUGS AND DRUG ADDICTION**
(Budget heading B7-5080)

(presented by the Commission)

EXPLANATORY MEMORANDUM

The statistics on the production of raw materials, seizures of narcotics and psychotropic substances and drug abuse levels all confirm that the world drugs situation has deteriorated to a marked degree over the last ten years.

National and international action has been stepped up, but has failed to keep pace with the rapid expansion of the drugs trade. This failure can be ascribed to a number of factors: underestimation of the social and economic costs involved by being too quick to assimilate drugs to tobacco and alcohol abuse; underestimation of the link between drug addiction and the HIV/AIDS epidemic; underestimation of the threat posed to democracy by the enormous wealth of the organized drugs trafficking cartels; underestimation of the opportunities created by world trade liberalization and privatization for trafficking and money laundering.

But today the international community is increasingly united in confronting the drugs phenomenon. Political commitment is growing at national level, and there is a burgeoning range of instruments available to combat illegal trafficking and drug abuse. More than 130 countries have ratified two of the three international drugs treaties (Single Convention on narcotic drugs of 1961, as amended by the Protocol of 1972; Convention on psychotropic substances of 1971) and 105 countries, with the EC, have ratified the Convention against illicit traffic in narcotic drugs and psychotropic substances of 1988. A rapidly growing number of countries are also adopting legislative and administrative measures to enable them to monitor and regulate the chemicals trade and to curb money laundering activities.

In this evolving context, the Community's North/South cooperation in the domain of the fight against drugs and drug addiction must be re-evaluated in order to exploit the prevailing political impetus to the full, and to improve their focus and efficiency. In this context, it is important to integrate the campaign against drugs into existing policies on health, education and rural development.

In the Commission's opinion, such activities should be governed by three main principles: they must complement the measures taken by individual Member States, and be consistent with the national drugs strategies of the countries concerned; they must be consistent with Community activities in related areas, such as cooperation, and with Community legislation on money laundering and the trade in precursors; and they must be accompanied by political commitment at the highest level on the part of the countries concerned. These principles are in line with the guidelines on international cooperation featured in the Commission Communication to the Council and to Parliament of 23 June 1994 with regard to a European Union Plan of Action on Drugs (1995-99)(COM(94)234 final).

They are reflected in the following priorities: (1) support for the drafting of National Drug Control Master Plans in close cooperation with the UN International Drug Control Programme (UNIDCP); (2) strengthening local and sub-regional institutions' legal and administrative capacity to implement these Plans, particularly with regard to their ability to combat the diversion of precursors and money laundering; (3) measures focusing on demand and the treatment of addicts; (4) measures to consolidate the structural impact of the special trade concessions made to certain developing countries (the Andean Pact and Central American countries) under the Community GSP scheme. This proposal is based on these principles. Its aim is to promote awareness of drug-related problems in the developing countries concerned, to help them draw up integrated national strategies encompassing their institutional, legal and administrative structures, and to support their efforts to combat drug trafficking and drug addiction. To emphasise the importance of continuity in this area of Community activity, no provision is made as to the proposed Regulation's duration.

PROPOSAL FOR COUNCIL REGULATION NO ... OF ...
ON NORTH-SOUTH COOPERATION IN THE CAMPAIGN
AGAINST DRUGS AND DRUG ADDICTION

(Budget heading B7-5080)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission,

In cooperation with the European Parliament,

Whereas, in a communication to the Council and to Parliament dated 23 June 1994, the Commission presented its guidelines for a European Union plan of action on drugs for 1995-99, including measures at international level;

Whereas the international community's strategy to curb drug abuse and drug trafficking is based on universal accession to the Single Convention on narcotic drugs of 1961, as amended by the Protocol of 1972, the Convention on psychotropic substances of 1971 and the International Convention against illicit traffic in narcotic drugs and psychotropic substances of 1988, and on the systematic implementation of those Conventions at national and international level;

Whereas the European Community is a party to the Convention of 1988, in particular by virtue of Article 12 of that Convention, and has adopted the appropriate legislation based on the recommendations of the Chemicals Action Task Force (CATF) set up by the G7 and the President of the Commission in 1989, the effectiveness of which would be generally enhanced by the adoption of the relevant legislation and procedures in other parts of the world;

Whereas the European Community has adopted a Directive on money laundering based on the recommendations of the Financial Action Task Force on Money Laundering (FATF) set up by the G7 and the President of the Commission in 1989, the effectiveness of which would be generally enhanced by the adoption of the relevant legislation and procedures in other parts of the world;

Whereas the fourth Lomé Convention and the cooperation, association and partnership agreements concluded by the European Community with developing countries contain clauses on cooperation to curb drug abuse and drug trafficking, the monitoring of trade in precursors, chemical products and psychotropic substances and the exchange of relevant information, including measures in the field of money laundering;

Whereas the Member States of the European Community have endorsed the policy statement and general plan of action adopted by the UN General Assembly at its 17th special session,

Whereas the cooperation in the domain of the fight against drugs and drug abuse contributes importantly to the objectives of the Community's development cooperation policy as set out in article 130U of the Treaty establishing the European Community;

HAS ADOPTED THE FOLLOWING REGULATION:

Article 1

The European Community shall carry out cooperation activities in the field of drugs and drug addiction, giving priority to developing countries that have ratified the Single Convention of 1961 as amended by the Protocol of 1972, the Convention of 1971 and the Convention of 1988.

Article 2

The Community shall give priority to supporting partner countries requesting help in the preparation of a national drug control master plan, in close consultation with the United Nations International Drug Control Programme. These plans will identify objectives, strategies and priorities in the campaign against drugs and the related requirements (including financial requirements), thus establishing an integrated, multidisciplinary and multisectoral approach designed to maximize the efficiency of Community assistance.

Article 3

Preferably operating within the strategic framework established by the national plans, the Community shall also support specific operations in the following areas:

- development of institutional capacity to implement National Drug Control Master Plans;
- on the basis of agreements between the European Community and "sensitive" countries, in conformity with the CATF recommendations and relating to cooperation to prevent the diversion of trade in precursors used in the production of illegal drugs and psychotropic substances, the Community will help partner countries to develop their institutions with a view to promoting the rapid and efficient implementation of the agreements and encouraging regional and subregional cooperation;
- on the basis of agreements between the European Community and "sensitive" countries on cooperation in the field of money laundering, within the limit of the available resources, the Community may provide technical assistance to countries that have entered into the appropriate commitments, notably by ratifying the Vienna and Strasbourg Conventions and by adopting the FATF recommendations;
- the introduction of measures to control trade in, and consumption of, legal narcotics and psychotropic substances;
- analysis of local drug abuse patterns, preventive measures, treatment and reintegration of drug addicts, risk limitation and the integration of these measures with health and education policies. Human rights will be duly respected in implementing these measures;

- feasibility studies on cooperation projects designed to ensure that the special trade preferences granted by the Community to countries committed to curbing the drugs trade are genuinely advancing alternative social and economic development opportunities for small, independent producers of the raw materials for illegal drugs; direct support for the measures taken by these countries to curb the drugs trade.

Particular emphasis will be given to:

- the participation of local people and target groups in identifying, planning and carrying out operations;
- the development of the developing countries' institutions at national, local and regional level.

Article 4

The recipients of aid and cooperation partners shall include not only states and regions, but local services, regional organizations, government agencies, traditional or local communities, private operators and industries, including cooperatives, NGOs and grassroots associations.

Article 5

1. Community assistance in the implementation of the operations referred to in Article 2 and 3 shall include studies, technical assistance, training or other services, supplies and works, and evaluation and monitoring missions and audits.
2. According to the needs of the operations concerned, Community financing may cover both capital investment, other than the purchase of real estate, and operating costs in foreign or local currency. However, with the exception of training and research programmes, operating costs may normally be covered only during the start-up phase and on a digressive basis.
3. A systematic effort shall be made to obtain a contribution, and in particular a financial contribution, from the ultimate beneficiaries (countries, local communities, firms or others), according to their means and the nature of the operation concerned.
4. Opportunities shall be sought for cofinancing, in particular with the Member States or with multilateral, regional or other organizations. The requisite measures shall be taken to highlight the Community character of aid granted under this Regulation.
5. The Commission shall take all coordination measures necessary to maximize overall efficiency by enhancing the consistency and complementarity of operations financed by the Community and the Member States, and in particular:
 - (a) the setting-up of a standard system for exchanges of information on the operations financed or considered for financing by the Community and the Member States;
 - (b) on-the-spot coordination of operations through regular meetings and exchanges of information between the representatives of the Commission and the Member States in the recipient country.

Article 6

Financial support under this Regulation shall take the form of grants.

Article 7

1. The Commission shall be responsible for appraising, approving and managing operations covered by this Regulation in accordance with the budgetary and other procedures in force, and in particular those laid down in the Financial Regulation applicable to the general budget of the European Communities.
2. Decisions relating to grants of more than ECU 2 million for individual operations financed under this Regulation and any changes resulting in an increase of more than 20% in the sum initially approved for such an operation shall be adopted under the procedure laid down in Article 9
3. All financing agreements or contracts concluded under this Regulation shall provide for the Commission and the Court of Auditors to conduct on-the-spot checks according to the usual procedures laid down by the Commission under the rules in force, and in particular those of the Financial Regulation applicable to the general budget of the European Communities.
4. Where operations are the subject of financing agreements between the Community and the recipient country, such agreements shall stipulate that the payment of taxes, duties or any other charges is not to be covered by the Community.
5. Participation in invitations to tender and the award of contracts shall be open on equal terms to natural and legal persons of the Member States and of the recipient country. It may be extended to other developing countries.
6. Supplies shall originate in the Member States, the recipient country or other developing countries. In exceptional cases, where circumstances warrant, supplies may originate elsewhere.

Article 8

1. The Commission shall be assisted by an advisory committee made up of representatives from the Member States and chaired by a representative of the Commission, namely, depending on the recipient country or region:
 - in the case of the ACP countries, the EDF Committee set up by Article 21 of Internal Agreement 91/401/EEC on the financing and administration of Community aid under the fourth Lomé Convention, adopted on 16 July 1990 by the representatives of the Member States meeting with the Council;
 - in the case of the Mediterranean countries, the MED Committee set up by Article 6 of Council Regulation (EEC) No 1762/92 of 29 June 1992;
 - in the case of the Asian and Latin American countries, the ALA Committee set up by Article 15 of Council Regulation (EEC) No 443/92 of 25 February 1992.

2. The Commission representative shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote. The opinion shall be recorded in the minutes; in addition each Member State shall have the right to ask to have its position recorded in the minutes.
The Commission shall take the utmost account of opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.
3. The committee shall meet once a year, during a joint meeting of the three committees mentioned in the first paragraph, to discuss general guidelines presented by the Commission representative for operations in the year ahead.

Article 9

At the end of each budget year, the Commission shall present a report to Parliament and the Council summarizing the operations financed in the course of that year and evaluating the implementation of this Regulation over that period.

The summary shall in particular contain information about those with whom contracts have been concluded.

The report shall also summarize any independent evaluations conducted of specific operations.

Article 10

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, ...

For the Council

The President

FINANCIAL STATEMENT ('95-'99)

1. TITLE OF OPERATION

North-South cooperation projects in the field of drugs and drug addiction.

2. BUDGET HEADING INVOLVED

B7-5080

3. LEGAL BASIS

Article 130 W of the Treaty establishing the European Community.

4. DESCRIPTION OF OPERATION

4.1. General objective

To improve the efficiency of the EU campaign against drugs and drug addiction within the Union by supplementing it with measures to support developing countries' efforts in this field.

For reasons relating to the efficacy and the strengthening of these projects, it is important to integrate the fight against drugs within existing cooperation policies (health, education, rural development).

This operation should be governed by three main principles: they must complement the measures taken by individual Member States, in particular in the framework of national strategies against drugs and drug abuse implemented by partner countries; coherence with projects and policies of the Community in related areas, such as cooperation, Community legislation in the domain of the fight against money laundering and the diversion of precursors; the existence of a political commitment at the highest level in the partner country.

4.2. Period covered and arrangements for renewal or extension

Period covered: 1 January 1995 - 31 December 1999 (five years).

Renewal/extension: before three years have elapsed, the situation will be evaluated to redefine the requirements and replan as necessary.

5. CLASSIFICATION OF EXPENDITURE

Non-compulsory expenditure
Differentiated appropriations

6. TYPE OF EXPENDITURE

Financing of projects in the field of drugs and drug addiction conceived in the light of: the general action plan adopted by the UN in 1990; the commitments entered into by signatories of the three UN conventions on drugs and drug trafficking; and national drug control master plans drawn up in close consultation with the UN International Drug Control Programme (UNIDCP). Such financing will take the form of grants covering up to 100% of project costs and grants to cofinance projects with other public or private sector sources.

Supporting measures may take the form of technical assistance, studies, supplies of material and equipment, and works.

7. FINANCIAL IMPACT

7.1. Method of calculating total cost of operation (definition of unit costs)

The average EC contribution to each operation will be over ECU 500 000, in line with the following elements:

- provision of services (unit price)
- equipment supplies (cost price)
- operating costs (overall price)

7.2. Itemized breakdown of cost (ECU million)

Breakdown	1995	1996
1. Support for the preparation of national drug control master plans	1.5	1.5
2. Consolidation of "sensitive" developing countries' institutional capacity to curb trafficking, the diversion of precursors and drug money laundering	2.5	3.0
3. Action to curb demand and to treat drug addicts	3.5	3.0
4. Feasibility studies for alternative economic development and alternative development projects	2.5	2.5

7.3. Indicative schedule of appropriations

Budget heading	1995	1996
B7-5080	10.0	10.0

8. FRAUD PREVENTION MEASURES

Technical monitoring by Commission officials, with the assistance of independent experts.

The Commission will check the grants and the performance of services and preliminary studies, feasibility studies and evaluations before payment is made, taking account of the contractual obligations involved and considerations of economy and sound financial management. Anti-fraud provisions (e.g. spot checks and reporting) will be included in all agreements and contracts concluded between the Commission and the beneficiaries.

9. COST-EFFECTIVENESS ANALYSIS

9.1. A. Specific and quantified objectives

- to support the creation of the institutional capacity (broad sense) to carry out effective campaigns against drugs and drug addiction at national and sub-regional level in the developing countries. These institutional capacities should be promoted, on a priority basis, in the following areas: formulation of national drug strategies, the fight against local consumption; the fight against trafficking by strengthening the legal and judiciary framework as well as the interdiction and control forces;
- in 1995 and 1996, it is being envisaged to, first of all, provide support for the formulation of "national drug control master plans" in the different regions of the developing world. Within such framework, projects in the area of drug prevention, treatment of drug addicts and their re-integration will receive priority, in particular Asia, Latin America and the ACP countries. Assistance will also be provided to alternative development projects, and to the development of the technical and human resources for interdiction and control, in particular in the Mediterranean region.

B. Target groups

These projects will be carried out with the national authorities, national committees coordinating the campaign against drugs and drug addiction, local communities, NGOs and the private sector. Target groups will vary according to the type of project, and will include traffickers, small independent growers, addicts and population groups vulnerable to drugs.

C. Indicators

Some of the projects will be carried out in close harmony with measures taken by the authorities; others will be monitored using specific indicators that will directly or indirectly quantify the impact of the Community's contribution.

- reduction of drug abuse in developing countries
- reduction in area used to cultivate the raw material for illicit drug
- drug seizures

9.2. Grounds for the operation

The campaign against drugs and drug addiction is increasingly recognized as one of the main social problems in the developing countries, one that has disastrous consequences for public health, economic structures, domestic allocations of economic resources, the operation of democratic institutions and human rights, especially the physical and mental well-being.

The operation is also justified by the fact that it provides an opportunity to maximize the impact of Community policy, projects and regulations by supporting the worldwide implementation of certain types of controls, especially in the field of chemical precursors and money laundering.

9.3. Monitoring and evaluation

- monitoring and evaluation indicators will be selected for each project;
- in some cases special impact and feasibility studies will be carried out;
- cost-effectiveness will be a crucial criterion for all projects;
- results and information will be disseminated on a regular basis;
- management procedures and methods will be evaluated regularly;
- an annual report is drawn up covering the projects initiated in the course of the previous calendar year. A more global and in-depth evaluation is envisaged after 3 years. These reports will be destined to the Council and the European Parliament, and will help in updating the strategy being pursued by the Community in this domain.

9.4. Consistency with financial programming

- A.** The operation is in line with the Commission's financial programming for the years concerned.
- B.** The objective of the operation is in line with development cooperation policy as defined in the Treaty on European Union.

**DRUGS AND DRUG ADDICTION IN THE DEVELOPING COUNTRIES:
ASSESSMENT OF THE CURRENT SITUATION AND PROPOSALS FOR
A COMMUNITY STRATEGY**

SECTION 1: Background to budget heading B7-5080, "North-South cooperation in the context of the campaign against drug abuse"

This budget heading was created in 1987 with an initial allocation of ECU 5 million in commitment appropriations, in response to the conclusions of the European Council meetings held in Milan (June 1985) and The Hague (June 1986), and requests from Asian and Latin American countries for Community support in the campaign against drug abuse. It was not possible to carry out measures in this field under the general budget heading owing to the restrictions imposed by the regulations on technical and financial development cooperation.

The Commission's preliminary draft budget for 1987 included a programme - to be implemented in close consultation with the Member States, beneficiary governments and regional cooperation and integration bodies - for the implementation of integrated, multidisciplinary cooperation projects to reduce drug production by diversifying agricultural and economic output, developing national and regional anti-drug and research bodies, and improving the legal, technical, social and economic components of national and regional strategies to reduce drug production and consumption.

SECTION 2: Measures carried out under heading B7-5080, 1987-94

Over this period a total of nearly ECU 67 million was allocated to a large number of drug-related projects in Asia, Latin America, the Mediterranean and the ACP countries. Some 25% of this amount was used to finance projects aimed at reducing the supply of drugs by promoting alternative development; 5% went to projects designed to reduce supply by policing drug trafficking, and more than 60% was allocated to projects targeting demand, from prevention to rehabilitation to risk reduction; the balance of 7% was spent on research and the identification of national or local drug abuse profiles.

It is not possible to carry out a detailed evaluation of projects targeting the supply side through alternative development. The impact of such projects must be measured over a period of time, and in most cases the time elapsed is insufficient; furthermore, the positive impact of specific alternative development projects has been more than offset by the significant rise in world demand for drugs. With regard to demand, a number of pilot projects have been successfully carried out, particularly in the area of treating and resettling drug addicts; however, here too the progress made has been neutralized by social and economic developments, particularly the shortcomings of local basic health infrastructure. Nevertheless, the individual successes logged by these pilot projects have provided some useful pointers for the Commission, the local authorities and the communities concerned.

From 1991 onwards, the Community also used the GSP scheme to extend additional trade benefits to Bolivia, Colombia, Ecuador, Peru and the Central American countries, with the aim of reducing the internal economic costs of the campaign against illegal drug production, and promoting alternative development. A number of surveys have confirmed the link between these trade benefits and increased exports, but there is no clear evidence that the area given over to coca cultivation has reduced.

SECTION 3: Drug figures continue to increase alarmingly

Supply side: UNIDCP statistics indicate that the production of poppies (from which heroin is derived) and coca leaf (cocaine and crack) is increasing at a significant rate: the poppy index rose from 100 in 1985 to 280 in 1993, while the coca index went from 100 in 1985 to 230 in 1992, before falling back to 180 in 1993 owing to a fungus that blighted the Peruvian crop that year.

The increase in production is reflected in the ever cheaper prices paid by the end user, and the continuing increase in drug seizures by the authorities.

New, easy-to-produce and relatively cheap "industrial" drugs (particularly psychotropic substances and amphetamines) are increasing their market share, particularly in Eastern Europe, but also in the Union itself, at the expense of traditional drugs derived from poppies, coca and cannabis.

Drug abuse: according to UNIDCP estimates and studies carried for the Commission, consumption has undoubtedly increased over the last ten to fifteen years, not only in the industrialized countries but also in the developing world, particularly in producer and transit countries. A large number of ACP countries appear to be particularly badly affected. It is this fact that has brought about a change in attitude towards drugs on the part of many developing countries; where once it was considered a problem affecting the industrialized world, drug abuse is now a worry in the poorer countries. The same goes for the consumption of cannabis and psychotropic substances, particularly amphetamines and methaqualone.

Drug money: for obvious reasons, reliable estimates are hard to come by. According to the UNIDCP, the total value of the consumer countries' drug imports may be in the region of USD 60-100 billion, which corresponds to a street value of USD 300-500 billion. "Value" is added primarily in the consumer countries, owing to the risk involved in marketing illegal goods where policing is reasonably effective.

At the other end of the economic chain, the producer countries pocket around 10% of the retail price. Drug money laundering activities take place mainly in the consumer countries, to a lesser extent in transit countries, and only minimally in the producer countries. However, even with only 10% of total turnover actually coming back to the producer, the financial returns are significant in terms of the GDP of the countries concerned, especially in Bolivia, Colombia, Peru, Afghanistan and some Caribbean countries. The economic, financial and political repercussions of this phenomenon are dire.

SECTION 4: Drugs in the developing world

Sub-Saharan Africa: 39 countries are party to the Single Convention on narcotic drugs of 1961, as amended by the Protocol of 1972; 35 countries are party to the Convention on psychotropic substances of 1971; 25 countries are party to the International Convention against illicit traffic in narcotic drugs and psychotropic substances of 1988; and 14 countries are party to none of these treaties. Faced with increasingly serious economic problems, the countries concerned have relegated drug abuse and trafficking to the back burner, and have consequently become a favoured route for cocaine and heroin bound for North America and the European Union. Drug abuse is also rapidly increasing in Africa itself, as is the production and consumption of cannabis, psychotropic substances and phoney medicines.

Mediterranean: Morocco remains the main source of cannabis resin, with a market share of 65% in the EU; with effective policing noticeable by its absence, it could become a major centre for large scale trafficking. Turkey plays a pivotal role in the hashish, morphine and heroin trade between Asia and the European union, a role which embraces processing, distribution and money laundering. Lebanon remains a major player in production and processing, with the EU again its principal market.

Central America and the Caribbean: far too few countries have ratified the above-mentioned Conventions. This region is primarily involved in trafficking and drug money laundering; its location, terrain and limited policing resources are being increasingly exploited by drug traffickers, while the proliferation of banks and other financial institutions has proved fertile ground for the development of money laundering activities. This has led to the creation of a Caribbean regional subgroup of the G7's Financial Action Task Force.

South America: all the South American countries are party to the Single Convention of 1961, the Convention of 1971 and - with the exception of Uruguay - the International Convention of 1988. To varying degrees, the countries of South America are plagued by the full range of drug-related problems, from production and processing to consumption, diversion of precursors, money laundering and trafficking.

Drug abuse is on the increase; cannabis and cocaine are the main problems, but psychotropic substances and stimulants are becoming increasingly popular in urban areas.

Although coca leaf production fell sharply in Peru in 1993 owing to a disease affecting coca plants, output in Bolivia and Colombia has risen sharply over the past few years. Operations conducted by the authorities, especially in Peru, clearly indicate that production and processing activities are being shifted to less accessible areas of the Amazon basin, in Venezuela and - more particularly - Brazil, where the secondary importance attached by the authorities to drug-related problems, and the absence of legislation to prevent the diversion of chemical precursors and their export to neighbouring countries, make life a great deal easier for the drug barons.

In many South American nations the legislation on money laundering is inadequate or non-existent, and several countries risk becoming laundering centres for the drug traffickers, if they are not already fulfilling that function.

Argentina, Bolivia, Chile and Peru have undertaken to improve subregional cooperation on drugs with the help of the UNIDCP.

East and South-East Asia: of the fifteen countries involved, 12 are party to the 1961 Convention, 9 to the 1971 Convention and 4 to the 1988 Convention. Cambodia, North Korea and Vietnam are party to none of the international drugs conventions. As in South America, the countries concerned are affected, to varying degrees, by the full range of drug-related problems. Poppy and opium production is undoubtedly on the increase in South-East Asia, having probably doubled since 1988, while there has been a similar development of the transit networks passing through China and in particular, Vietnam. Cannabis production is also increasing, particularly in Thailand, Cambodia and the Philippines.

Money laundering remains a serious problem in this region, which boasts a number of major financial centres; the record economic growth of the last ten years has created excellent opportunities for drug money laundering, with legislation regulating this area almost non-existent.

Southern Asia: all six nations are party to the three UN Conventions. Cannabis production is increasing significantly in the region. In India, which under the terms of the 1961 Convention is the world's only legal exporter of opium, illegal poppy production is expanding, and the country is also a major supplier of psychotropic substances, particularly to Africa. Under the combined pressure of poverty, unemployment and population growth, consumption of drugs and psychotropic substances continues to spread throughout southern Asia. To supplement the international agreement of 1988, a convention drawn up by the South Asian Association for Regional Cooperation on illegal trafficking in narcotics and psychotropic substances entered into force in 1993. With the help of the UNIDCP India and Pakistan have adopted procedures for operational cooperation between their drug enforcement agencies.

Central and western Asia: of the 25 countries concerned, 18 are party to the 1961 Convention, 15 to the 1971 Convention and 14 to the 1988 Convention. Almost none of the central Asian Republics are party to any of the three conventions. The Golden Crescent is one of the world's main suppliers in heroin and cannabis. Afghanistan and Pakistan, which signed all three conventions, together produce 75% of the heroin and a large proportion of the cannabis resin seized in Europe. Trafficking on the Afghanistan-Pakistan-Iran-Turkey route continues unabated. With the help of the UNIDCP, Pakistan, Afghanistan and Iran have signed a memorandum of understanding for closer operational cooperation. The Economic Cooperation Organization countries are also stepping up operational cooperation in the face of drug trafficking activities that have taken on alarming proportions. The huge drugs trade is having disastrous political, social and health-related effects throughout the region, with drug addiction rising all the time.

SECTION 5: Main guidelines for future action

The international community, including the European Community, is frankly failing in its attempts to curb the drugs trade. This failure can be attributed to the laws of economics, which are as valid in this sector as in any other.

The first such law is that any poverty-stricken grower who receives no government assistance will go for crops that will provide the best return on his labour, and secure the best possible life for his family.

A second law states that the greater the potential profits - and they will remain high given the risk premium linked to the illegal nature of the trade - the greater the economic incentive to produce and market drugs. Thirdly, supply will respond to demand as long as it can do so profitably, which is certainly the case with drugs. In other words, as long as there is a demand for drugs anywhere in the world, production and trafficking will continue. With profit margins high owing to the illegal nature of the trade, activities such as the diversion of precursor chemicals and money laundering will continue to increase, particularly in countries lacking the administrative and legislative wherewithal to control these phenomena.

This analysis may appear pessimistic but at least has the advantage of being realistic. Far from leading to the abandonment of international action on drugs, it ought to be the starting point for an in-depth assessment of how to make such action more effective in an environment of growing political commitment and increasing international cooperation. The question is how best to employ the modest resources allocated to heading B7-5080.

The Commission believes that the answer to this question is dictated by three principles. First, as the heading concerned comes under Chapter 7 of the budget, which is entitled "Cooperation with developing countries and other third countries", the Community's activities in this area must form part of its overall cooperation strategy and must complement the measures taken by individual Member States, in line with Article 130u of the Union Treaty. Second, measures to curb the drugs trade must be consistent with Community activities or policies in related areas, applying the principle of subsidiarity by integrating these measures into areas in which the Community has an established track-record, while at the same time consolidating the impact of Community cooperation as a whole; this goes particularly for measures to curb money laundering and the trade in precursors. Third, partner countries must give a solid indication of their commitment to the campaign against drugs; ratification of the three Conventions (of 1961/72, 1971 and 1988) must be considered a key criterion if some degree of synergy is to be achieved between national and Community projects in this field.

These principles are in line with the guidelines on international cooperation featured in the Commission communication of 23 June 1994 to the Council and to Parliament on the EU Plan of Action on Drugs:(COM (94)2344 final).

SECTION 6: Priority measures

Without making it a pre-condition for Community financing, priority should be given to countries that have ratified the three international drugs conventions.

The Community will work closely with the UNIDCP to help these countries draw up national drug control master plans. These master plans will commit the countries concerned to ratifying the three international conventions while clearly identifying individual national strategies to deal with drugs and drug addiction, and setting out the resources required to implement those strategies, including contributions from external sources.

They will also provide a framework for dovetailing Community input with that of the Member States, a process which will also be furthered by adapting Community measures in the light of political and operational decisions adopted by the Union in the context of the CFSP, especially with regard to joint action on international cooperation on drugs.

The Community will use the national drug control master plans to identify external assistance requirements that are consistent with its other policies and directives, supporting projects of the following kinds:

- (1) assistance in upgrading the institutional, administrative and legal framework to enable the countries concerned to implement their national plans once they have been approved by the UNIDCP;
- (2) technical assistance and aid in setting up specialized bodies to improve "sensitive" developing countries' ability to impose rigorous controls on the trade in precursors, in line with Community legislation in this area;
- (3) assistance in upgrading "sensitive" developing countries' institutional capacity to cope with drug money laundering, in conjunction with measures taken by the Community and its Member States to upgrade their own internal financial systems in this regard. With regard to technical assistance, the Commission is already heavily involved in work of this kind in implementing the Phare programme in eleven Central and East European countries, and could carry out similar projects in the developing countries if it had access to the additional personnel required.
- (4) preventive measures, treatment and social reintegration for drug addicts, in line with the Community's development cooperation policy and its objectives in the field of human rights and the campaign against poverty;
- (5) feasibility studies prior to launching development cooperation projects to ensure that the special trade preferences (currently extended only to the Andean Pact and Central American countries) lead to social and economic progress via the diversification of exports, the development of alternative crops and sustainable alternative job creation that will reduce drug-related economic and financial activity, at least in relative terms.

Project types (4) and (5) will place special emphasis on the participation of local people, NGOs and the social and economic target groups and on building up the developing countries' institutions at local, national and regional level.

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