

CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

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DIALOGUE WITH JOHN WALTERS, DIRECTOR
WHITE HOUSE OFFICE OF NATIONAL DRUG CONTROL POLICY

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UNITED STATE'S DRUG POLICY
IN THE WESTERN HEMISPHERE

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P-R-O-C-E-E-D-I-N-G-S

MR. De BORCHGRAVE: John Walters has been Director of the Office of National Drug Control Policy for the past two years during which time he reached the original goal of reducing consumption by ten percent and is on his way to the next goal, which is reducing consumption of illegal substances by 25 percent. And this at a time when our European allies are increasingly moving into a permissive mode, the Dutch gave the example, followed by the UK, Germany, Switzerland and Spain. And they are moving in the opposite direction or at least appear to. Canada, incidentally, is also, as you've read, considering new laws that will decriminalize possession of marijuana up to 15 grams.

Beginning in 1989 when he was Chief of Staff to Bill Bennett and then later Deputy Director of Supply Reduction, Director Walters has had vast hands-on experience in every conceivable aspect of the war on drugs, from the award winning national youth anti-drug media campaign to Colombia, Afghanistan, Pakistan, two areas of the world where

1 you see the emerging nexus between transnational
2 organized crime and transnational terrorism -- a
3 nexus, incidentally, that is an integral part of CSIS'
4 Transnational Threats Initiative.

5 In recent times, Mr. Walters has harnessed
6 technology to reducing demand, from mirror imaging to
7 genetics instrumentation with a view to reversing the
8 processes of the brain that result in addiction all
9 the way to interdicting supply routes at our borders
10 and on the high seas. These new technological
11 capabilities have also been used in the war on
12 terrorism by Customs, Border Patrol, and the Coast
13 Guard in this round-the-clock search that is ongoing
14 for CBRN weapons of mass destruction. As states
15 disengage from their support for international
16 terrorist groups, the terrorists look to other
17 international networks and their global smuggling
18 routes.

19 In the 1990s, between two administrations,
20 John Walters served as President of the Philanthropy
21 Round Table, a national association of over 600
22 foundations and individual donors that keeps track of
23 all aspects of charitable giving. During the Reagan

1 administration, he served as Assistant to the
2 Secretary of Education where he was the point man for
3 a wide variety of anti-drug programs. Also, he served
4 on the National Drug Policy Board.

5 So I think we've got a treat this morning.

6 From money laundering and asset forfeiture to Plan
7 Colombia and cocaine availability and from global
8 illicit drug trends to the El Paso Intelligence Center,
9 John Walters knows it all. He is a walking
10 encyclopedia and also an activist in drug control, so
11 please help me in welcoming him very warmly to CSIS.

12 MR. WALTERS: Thank you. Well, thank you.

13 It is a tribute to your long years of work on issues
14 of threats to security for this country and democracy
15 throughout the world that you've been foresighted in
16 having this organization and your work on
17 transnational threats as well as the threats of the
18 past. It's an honor to be here with you and it's kind
19 of a measure of your farsightedness that you would
20 described as a treat looking at money laundering and
21 the El Paso Intelligence Center. I'm not sure I've
22 ever met another person who would say that, and it's a
23 little to knowing about my nature as well, so I'm a

1 little fearful.

2 But it's great to be here. I will tell
3 you that I start today looking at the problem of drugs
4 with greater optimism than I think has been warranted
5 at any time in the last 25 to 30 years, not because I
6 think it's good to have cheerleaders, I actually
7 don't. I think it's obviously easier to talk about
8 crises in order to try in this environment to say, "I
9 need more support." I know that's the tendency, but
10 we have historic opportunities to change for the
11 better in many places of the world, the threat posed
12 by illegal drugs and other criminal and terrorist
13 activities associated with them.

14 I'll try to give a brief overview, and
15 then I'll be happy to be guided by questions and
16 interests of people here who are quite knowledgeable,
17 I know, in many areas. Let me start out by just
18 saying what I think is the ground work, because I
19 don't think you can always take that for granted.

20 I believe that the fundamental reason why
21 we have laws to control the consumption of these
22 substances is that they are dangerous and addictive
23 and that we sometimes forget in our discussions that

1 get to be a little silly, like children in dorm rooms,
2 what's at stake. Twenty-five years of experience and
3 more than that in research has shown that dependents,
4 the dependents of these substances and others,
5 generally takes the pattern of experimentation during
6 teenage years, the period of moving from childhood to
7 adulthood, for drugs, for alcohol, for cigarettes.
8 And for those who don't begin using during their
9 teenage years, the numbers who begin afterwards are
10 quite small, and the numbers of those that go on to
11 have difficulties of dependence or abuse are even
12 smaller.

13 This is what my Demand Reduction Deputy I
14 think correctly calls, if you understand, addiction as
15 a disease from the science that shows the changes in
16 the brain chemistry that produce that disease. This
17 is a pediatric onset disease. The drug problem, in
18 short, depends on exposing our children to dangerous,
19 addictive substances, and the marketing of drugs
20 depends largely on providing those substances to those
21 who are dependent because they consume the largest
22 quantities. No democratic society can call itself
23 serious, responsible or hope to remain free if it

1 allows the open marketing of poisons to its children
2 and the slavery of its citizens. That is what the
3 drug trade is about, and that is why I do not believe
4 any civilized society or orderly society that pretends
5 to depend on liberty can look the other way. And
6 those that have in past history over any significant
7 period of time have found the consequences
8 intolerable.

9 I don't think this should be an enormous
10 point of debate. I know it will be and I'm not trying
11 to stop debate, but I don't believe serious people
12 should have any doubt about why we have to control
13 these substances.

14 Secondly, I think it's because we need to
15 control them that we have to face the consequences of
16 production. The reason why I believe that violence
17 and terror is associated with the drug trade is
18 because legitimate institutions of rule of law,
19 freedom and democracy have to stand against that
20 trade. So in every place where there's substantial
21 marketing and consumption from the streets of the
22 United States to villages in the southern parts of
23 this hemisphere or in Asia or in Europe, violence is a

1 part of the trade. Violence has to attack the
2 institutions of justice and the institutions of public
3 order which must sooner or later stand against these
4 businesses. So we have, as Arnaud mentioned, also
5 tried to make that information clearer to those
6 consumers in the United States. Because as the
7 President has said, it is not acceptable, today
8 especially, never was, not today, that the American
9 drug consumer is the single largest funder of anti-
10 democratic forces in this hemisphere. We have a
11 responsibility, as well on the demand and the supply
12 side, to reduce that source of resources for extreme
13 left and extreme right violent anti-democratic
14 organizations.

15 As Arnaud said, I think all our
16 information confirms that as we continue to reduce the
17 revenues that go to global terrorist groups as well
18 that come from state sponsorship, we can expect that
19 increasing revenues for those groups will come from
20 crime and drugs as a very lucrative form of this
21 crime. It's not the only one. There's kidnapping and
22 bank robbing and other forms of illegal activity, but
23 drugs can be very lucrative. Also, because of the

1 nature of this business, it can create areas where
2 government authority is not present and allow other
3 people who would stage dangerous activities to
4 operate. I am not making the argument that all global
5 terrorist groups get money from drugs, that's not
6 true, but some of them do, and terrorist groups on the
7 small scale and middle scale and even some on a large
8 scale have and can be expected to continue to get some
9 revenues from the drug trade.

10 More importantly, I think, or equally as
11 importantly, these groups have a capacity, because of
12 their business, to move people, to move money and to
13 move substances in large quantities into the United
14 States and across borders as a part of the movement of
15 illegal drugs. And some of them have increasingly
16 participated in the movement of people and drugs as a
17 part of their business in drugs and business in
18 terror. Almost half of the State Department's list of
19 known terrorist organizations are known to have, at
20 one point or another, trafficked in drugs, and it's a
21 fool's paradise to think that if they were asked to
22 move instead of small chemicals of destruction to
23 other human beings, weapons of destruction to other

1 human beings, they would have scruple. I think that
2 maybe some of them would, but it would only be -- it
3 would be highly irresponsible to expect that to
4 continue. They move hundreds of metric tons of
5 product across our borders still today, they move
6 thousands of people for their illegal activity in and
7 out of our borders, and they move, frankly, hundreds
8 of metric tons of money back and forth across the
9 borders undetected. Until we can close that down more
10 effectively, we're not going to feel secure, and my
11 colleagues at Homeland Security and Justice and other
12 national security agencies are working aggressively,
13 and we've had real success.

14 Now, why with all this am I more
15 optimistic? Because I think we have historic
16 opportunities in some of the key areas, and I'll try
17 to go through those quickly as part of my closing.
18 This hemisphere we've had remarkable opportunities
19 with regard to Colombia. We've had a long
20 relationship trying to combat this problem in
21 Colombia. Many have unfortunately suffered harm there
22 from the trade, but President Uribe has made
23 unprecedented efforts to reduce the trade. He has

1 made it clear: He wants no drugs produced or shipped
2 from Colombia, not just less, not just enough to kind
3 of keep people happy -- zero. It's a goal that we
4 hope to encourage more of our partners to engage in.

5 But more than talking about it, he's done
6 it. In the little over a year now he's been in
7 office, when people -- when he took office, some of
8 you will remember people said he could not possibly do
9 what he promised to do, not only go after the armed
10 groups that are threatening his democracy but to
11 provide lawful order throughout the country, to bring
12 institutions of education and health and economic
13 growth and security to the entire country to make
14 Colombia a real country for all the people, to attack
15 and create a peace process and to reduce the drug
16 production there, including taxing his own people at
17 rates not seen before and using those resources to
18 provide security.

19 All those who said he couldn't do it in
20 every single promise he has exceeded the goals he set
21 for himself. And in addition, he has been aggressive
22 in trying to accelerate that process. I think it is
23 clear from the reporting that more damage has been

1 done to the armed groups on the left and the right by
2 the eradication of coca and some poppy there and the
3 lack of revenue, which has then fueled the desertion
4 and the rate at which he's been able to operate more
5 effectively. Now, it certainly has been important to
6 add security forces and to provide security in many of
7 the villages, but the drug trade was a backbone for
8 keeping these armed groups in the field. We believe
9 that with the current rate of decline we should begin
10 to see substantial changes in the availability of
11 cocaine throughout the world in the next six to 12
12 months. There's a pipeline here and we don't know
13 precisely how deep it is, but the magnitude of these
14 changes have been profound.

15 We also do not see significant additional
16 growth in the other two areas, Peru and Bolivia.
17 There has been some small increases, but Colombia
18 still is responsible for 70 percent of overall coca
19 cultivation, and there were about 130 hectares of
20 estimated coca cultivation about a year ago. During
21 President Uribe's term he sprayed over 100,000
22 hectares. Now, it's not 100 percent kill rate and
23 there is some replanting, but the replanting is with

1 plants that are not as productive.

2 We have had some difficulties certainly
3 with programs in the current political environment in
4 Peru and Bolivia. We're working with those countries.

5 We are concerned about spread back, but those who
6 have been religious like believers in the balloon
7 effect, the balloon is not growing, the balloon is not
8 moving, the balloon is shrinking and it's shrinking at
9 historic levels. It's maybe time to get another God.

10 Secondly, we have had unique opportunities
11 in Mexico. Mexico has suffered more in some ways than
12 any other country after Colombia from the consumption
13 of drugs in the United States. Over the last ten
14 years, major drug trafficking organizations have
15 increasingly become dominated by Mexican leadership
16 housed in Mexico. This has been a result of the flow
17 of drugs coming up through Mexico into the United
18 States from South America, as well as production in
19 Mexico.

20 The Fox government has made historic
21 commitments to go after these organizations and
22 commitments that they have kept. No Mexican
23 government in recent history, and I'll go back 25

1 years at least, has gone after as many major
2 organizations at high levels and middle levels as
3 rapidly as the Fox government. There is still
4 certainly much more to do, but the attacks on groups
5 that were thought to be invincible, as the Colombian
6 cartels were a decade over, have been dramatic and are
7 continuing and our cooperation has been extensive. It
8 has been, as in other cases, a need to work on
9 harmonizing our systems to be able to respect
10 sovereignty and legitimate concerns while working
11 together more aggressively. Obviously, the backdrop
12 of the threat from terror has been important here. It
13 has given another reason and some greater urgency and
14 some greater resources and authorities and a greater
15 priority in sharing intelligence, which is always
16 crucial in these kinds of efforts.

17 In addition, I would say that there's
18 greater awareness throughout the hemisphere, from the
19 meetings I've been in, of the danger of consumption as
20 well as production. The reality has been always that
21 no country in history has been a major producer or
22 transit country without developing its own consumption
23 problems. There was a time when people thought that

1 it was Americans who consumed, it was other countries
2 who produced, and there was a lot of finger pointing,
3 and there was a view that consumption wouldn't come to
4 you if you were just a consumer or consumption
5 wouldn't come to you if you were just a producer
6 because you were poor. Poverty is not a bar to drug
7 abuse. If you're not poor when you start, you get
8 poor as you consume, and that's true here, and that's
9 true in other parts of the world, just as wealth is
10 not an adequate prevention from production.

11 We talk a lot about buffering with
12 alternative development, but of course we have drugs
13 that are grown in the United States, and we don't
14 suggest that we need alternative development in order
15 to stop them. You need effective enforcement pressure
16 to change the measures that the business of drugs
17 produces on profit versus risk, and we're trying to
18 understand this better as a business. But I do think
19 there's helpful awareness of the fact that this is not
20 just a problem somewhere else, it's a problem at home
21 in both terms of the dangers and destructive forces of
22 production as well as the destructive forces of
23 consumption.

1 And I think people are acutely aware the
2 United States spends more on treatment than any other
3 nation on Earth; in fact, there are some estimates,
4 although they're not precise, that we spend more than
5 all the other nations on Earth on drug treatment and
6 intervention, and getting a drug problem becomes
7 extremely costly for countries that do not have the
8 resources the United States has. It's enormously
9 destructive. Mexico and Colombia have seen this.
10 Other countries of the world, which I'll touch on in a
11 moment, have seen this as well and are quite
12 concerned. We share a great deal more demand
13 reduction information with them now but the resources
14 that they would have to put as they face increasing
15 addicted populations would be profound.

16 Let me just say a little bit about Europe
17 and I'll come back to Canada. I was just at a world
18 conference in Rome on prevention. I think that
19 there's a great deal of inaccurate information about
20 what's going on in Europe. The view is that Europe is
21 different from the United States, even some Europeans
22 in large numbers believe this, that they take a view
23 toward harm reduction. They tend to kind of buffer

1 use, they're not so concerned about it. We're all
2 moralistic and they're all medical.

3 First of all, they are increasingly
4 different from country to country. When I was there,
5 Italy introduced legislation to restructure the
6 penalties for drug sales and distribution, including
7 marijuana. They are recognizing there are no soft
8 drugs. In addition, to talk about treatment, and many
9 of these countries, of course, I think one of the
10 poorly understood facts is they spend very little on
11 treatment. The encouragement of drug consumption
12 creates a consequence of drug users who are largely
13 abandoned with a lack of detoxification, lack of
14 serious treatment, and a culture, in many cases, that
15 simply doesn't accept recovery. It bars people from
16 employment in government or in private industry if
17 they have had a drug problem even if they are in
18 recovery. So harm reduction in Europe looks much more
19 brutal and primitive than some would like to sell it.

20 In addition, it's not monolithic and if
21 anything I think it's moving to be more direct on
22 controlling these substances. With little fanfare,
23 the Swiss did not pass a further decriminalization in

1 Switzerland. The situation in the Netherlands which
2 is still certainly a problem, and I will continue to
3 be critical of some of the lack of leadership in the
4 Netherlands, but 70 percent of the municipalities in
5 the Netherlands do not allow coffee houses that
6 dispense cocaine -- or dispense marijuana or hashish,
7 and that's no accident. If anything, there is growing
8 concern, I think, among political officials there that
9 the problem is greater and has spread not from just
10 marijuana but to cocaine and synthetics and heroin.

11 More countries are seeing this. Now, it's
12 not monolithic. Other countries have had moves to
13 relax some of the penalties, and I think those are
14 unwise, and I think they're going to show again,
15 unfortunately, as a result of the cost to human beings
16 that they're unwise down the line. I think it is
17 somewhat surprising to some Americans that places like
18 Sweden who have been thought of as some of the most
19 liberal countries are the most aggressive, I think,
20 and closest allies of us in the international forum on
21 control and aggressive prevention and enforcement of
22 drug laws.

23 So I think the story, if anything in

1 Europe, is to move closer to the United States, and
2 there's a considerable amount of concern there, as
3 many of you know that work in this area, that the EU
4 has a serious problem with crime and security because
5 the laws and the institutions of enforcement are more
6 fragmented than the economic institutions which they
7 have brought together as a part of the Union. And
8 there's great concern now and there's even more
9 concern as the Union expands that crime -- drug crime
10 and organized crime -- associated with drugs and other
11 activities is going to become an increasing threat,
12 and it's already a serious threat in many of these
13 areas. Let me point out that crime rates in Europe
14 are going up and crime rates in the United States are
15 at 30- or 40-year lows. Drug use in the United States
16 is going down and drug use in Europe is going up
17 dramatically.

18 In Africa, we've seen less talk about this
19 but in the international forum we talked to people
20 working on this problem in Africa. The single
21 greatest threat in Africa is marijuana and other
22 cannabis products. They are very concerned about the
23 rates of growth of consumption and many of those

1 governments have been very concerned about increasing
2 controls. They have limited resources, they have all
3 kinds of difficulties on both the supply and demand
4 side, but they have been more systematic allies of
5 concern over the last several years.

6 In Asia, I think people here will know
7 that the growth of synthetics in parts of eastern Asia
8 have been dramatic and have caused huge threats. Our
9 conversations with the Chinese and with the Thai--
10 they believe this is a fundamental national security
11 threat. The rates of growth of addiction and
12 consumption have been dramatic. They have resorted to
13 extreme measures in some cases and are concerned and
14 have been very strong advocates in international
15 bodies for tougher laws and greater international
16 cooperation.

17 In west Asia, I think the obvious and most
18 important issue we have is Afghanistan. Here too this
19 is obviously a difficult challenge. We have
20 fundamental security issues there as well as important
21 and continuing concerns with regard to terror, but I'd
22 like to point out that when I served in the Drug
23 Policy Office during President Bush's father's

1 administration we could not talk seriously about the
2 global opium/heroin problem, because we just couldn't
3 reach it. In Burma, in Afghanistan, in Pakistan it
4 was just too difficult and too far away. It's still
5 difficult but we can reach it now. We can actually
6 have expectations that our policies will help to
7 shrink the growth of these products over time.

8 It will not be automatic. I will point
9 out that the current consumption last report was that
10 production in Afghanistan will be half of what it was
11 at the peak of the Taliban regime. That's good for
12 the world. There's been steady reductions in Burma
13 and we are concerned and I think the Pakistanis are
14 concerned about some reports of growth in Pakistan but
15 they're trying to respond. So I don't think people
16 are going to be asleep and I don't think there's ever
17 been a time where there's been more opportunity for
18 countries and the global community to focus on this
19 problem aggressively. We're not there yet but we know
20 what has to be done and we have the conditions for
21 doing successful things in the coming five to ten
22 years.

23 Let me briefly mention Canada. It is the

1 one place in the hemisphere where things are going the
2 wrong way rapidly. The domestic politics in Canada
3 and policies aside, I've had conversations with
4 Canadians at some length and many of them are
5 concerned about the behavior of their Prime Minister
6 now joking that he's going to use marijuana in his
7 retirement. They are ashamed that he doesn't get the
8 message that this is a serious matter, serious matter
9 for young people, and the statements of leaders make
10 differences that simple prevention programs can't
11 change. Many of them are hopeful that the new
12 leadership in Canada will aggressively turn around.
13 They need to stand up now.

14 The legislation that may be pushed through
15 the Canadian Parliament is not simply a domestic
16 matter for Canadians. By their own estimates, up to
17 90 percent of the high potency marijuana being grown
18 in Canada is being shipped to the United States.
19 Canada has been the single largest supplier of
20 pseudoephedrine for the making of methamphetamine for
21 the United States market of any supplier. We have had
22 great cooperation from the Royal Canadian Mounted
23 Police and other Canadian police agencies. The

1 problem is the laws in Canada are utterly inadequate
2 by their own admissions. People do not get serious
3 jail time unless you commit a violent crime or harming
4 another person. Trafficking does not get you serious
5 jail time. Aggressive efforts to control the
6 marketing of these products are impossible in the
7 current legal environment and the courts in Canada
8 have made this worse. Again, their domestic policy as
9 a sovereign country is their business. Shipping
10 poison to the United States is our business.

11 I've talked to increasingly frustrated
12 members of our Congress who have expressed a concern
13 that if this is going to continue, and they don't seem
14 to get it, they've talked about adding provisions to
15 require a minimum number of vehicles to be inspected
16 as they pass from Canada into the United States. I
17 believe that would be a destructive policy. It would
18 harm trade and elicit activity in our biggest trading
19 partner and one of our closest friends. But the
20 fundamental matter is there's an estimated up to \$9
21 billion marijuana industry that's now being operated
22 in Canada, moving from British Columbia into Toronto
23 where Canadian authorities estimate there are

1 thousands of indoor growers.

2 Let me point out the THC of marijuana that
3 baby boomers my age remember was one to two percent in
4 the '70s. Today's TCH in the United States is roughly
5 ten percent. We have more teenagers seeking treatment
6 for marijuana dependency than for all other illegal
7 drugs combined. Americans don't understand this and
8 we've exported that ignorance to a large part of the
9 world. Of the seven million people we have to treat
10 in the United States for dependency on illegal drugs,
11 60 percent are dependent on marijuana. It is the
12 single largest cause of treatment need among illegal
13 drugs of all drugs. It's more than twice as important
14 as the cause of need to treat Americans than the next
15 most important drug which is cocaine. In too many
16 cases, we have been sold the false view that marijuana
17 is the soft drug, we can allow it just to be used.
18 There are more teenagers seeking treatment from
19 marijuana dependency than for alcohol dependency. We
20 have let them think that this is part of growing up in
21 America and in the world, and we have more people who
22 are victims because the THC in Canada is 20 to 30
23 percent. This is the crack of marijuana. This is

1 being sold because it's highly profitable and this is
2 an extremely dangerous substance.

3 Over the last several years, the number of
4 people coming to emergency rooms for drug-related
5 problems and testing for marijuana in their system has
6 doubled. You don't hear about a marijuana overdose
7 because marijuana is not as toxic as other substances.

8 It nonetheless causes addiction, paranoia, it can
9 cause psychosis, it can cause problems that are
10 associated not only with behavior but also with
11 learning and memory. It is particularly dangerous for
12 young people because, as we've learned from research
13 and science, the human brain is still changing during
14 teenage years, and those changes associated with
15 movement to addiction are more likely to happen the
16 younger you try, and young people today are trying at
17 younger and younger ages, even pre-teenagers, and this
18 is a particularly dangerous threat.

19 We're not kidding about this, this is not
20 some kind of culture war with Canada. This is about
21 the center of the drug problem in the United States,
22 and I think it's pretty clear to most people who've
23 listened, the current Prime Minister of Canada doesn't

1 get it. We're hoping that it's time for the people
2 who I've talked to in the Canadian Parliament to stand
3 up and say, "Enough is enough," and not let the
4 continued growth of this export make the Canadian
5 border look like the Mexican border. It is the only
6 country in this hemisphere that is becoming a major
7 drug producer rather than reducing its drug
8 production, and it's time for Canada to have the
9 leaders who have talked privately stand up publicly.

10 I think I'll leave it there and take your
11 questions. Yes, sir.

12 MR. SPEIGHTS: Hi Dave Speights --

13 MR. DE BORCHGRAVE: Excuse me. Could you
14 wait for the microphone? There's one coming up behind
15 you. And while it's coming up, perhaps I could ask
16 you the first question. You mentioned hundreds of
17 tons coming in across the borders, wouldn't it be a
18 miracle if CBRN hadn't come in the same way?

19 MR. WALTERS: Yes. We're not --
20 obviously, we're not entirely sure and we are trying
21 to make sure that we are as careful as we can be in
22 these areas, but, yes, it's a danger and there's a, I
23 think reasonable way to say it, there's a race in

1 time. Do we cut this off as the current level of
2 threat before that threat is realized. I think it's
3 partly due to the fact that many of these terrorist
4 groups have been using a tight cell-like structure to
5 protect themselves and therefore have not been as
6 willing to reach out to other groups. But, obviously,
7 it is possible for them to establish those
8 relationships. There are some of those relationships
9 that have already occurred, and once they get
10 established there's obviously the ability to use them.

11 MR. DE BORCHGRAVE: Thank you. Yes, sir.

12 MR. SPEIGHTS. Hi Dave Speights, Editor of
13 Drug Detection Report. Would you please comment on
14 the opening of one or two government-supported
15 shooting galleries in Vancouver? The explanation is
16 that these are necessary to help prevent the spread of
17 AIDS among the drug-using and needle-using population.

18 What's your opinion?

19 MR. WALTERS: Well, again, I think what's
20 shocking is -- I mean in some ways it's shocking to
21 the average person's sensibility that the government
22 could do no better than to give people dangerous
23 addictive substances, but I think the most shocking

1 thing is the science and the state of medicine today
2 makes that a barbaric activity. We know how to treat
3 people. When President Bush said in his State of the
4 Union he was requesting \$600 million over the next
5 three years to add to the roughly \$2 billion the
6 federal government spends to treat people, he also
7 expressed the science and the reality. We have
8 millions of people in recovery in the United States,
9 and throughout the world there are more millions.

10 People don't have to die from the disease
11 of addiction, which too many people do, as well as
12 have their lives compromised even short of death. We
13 can treat this disease, and when we treat people who
14 are dependent, the spread of hepatitis or HIV or
15 tuberculosis, which has been characteristic of drug
16 users, drops dramatically. There is no other activity
17 that we have any scientific research anywhere in the
18 world that as effectively contains the other drug use
19 related diseases as treatment and recovery. None of
20 them come close and for obvious reasons.

21 The shocking thing I found in Vancouver
22 when I visited there last year is I expected the
23 argument that, well, we've tried to treat all these

1 people and we've have people who've been unsuccessful
2 and therefore this is the best we can do. I think
3 that's still wrong because I've seen treatment centers
4 that take people who have even been through many
5 others but have been successful. I think that's wrong
6 but I thought that would be a kind of argument, but
7 that's not the argument at all. Vancouver spends
8 remarkably little on detoxification, on treatment, on
9 methadone maintenance, forms of treatment. This is an
10 unbelievably cruel policy presented in the guise of
11 current science and humane policy. It's outrageous,
12 and I think it's as shocking to Americans as it should
13 be, and I think it's shocking to many Canadians that
14 we don't hear about.

15 To say that the best we can do is let you
16 die slowly and we'll bring you to a center where if
17 you overdose, we'll bring you back to life so you can
18 continue to suffer as an addict is about as
19 antithetical to free government as I can think of, but
20 we have reached a point where addiction as a form of
21 slavery is the only form of slavery that we let be
22 talked about openly without shame in free societies.
23 Somebody can say, "Well, I believe in injection sites,

1 I believe in handing out needles to people, I believe
2 --" and nobody says, "Shame on you." If they talked
3 about enslaving women or enslaving Africans, that
4 would be beyond the pale, but today it's okay to talk
5 about that form of enslaving people, and I think we
6 have to change those norms. We can treat people, we
7 can get people into recovery. We need more people to
8 support that. But that is the goal of people who care
9 about freedom, and create institutionalized, well, I
10 called it state-sponsored suicide because that's what
11 I believe it is, but it's also even harsher than that.
12 It's to sentence these people in the kind of callous
13 way of, "There's nothing we can do about it, let
14 nature take its course, let them die. Just make them
15 die and not bother the rest of us too much." It is
16 shockingly cruel and barbaric.

17 MR. DE BORCHGRAVE: The lady with the
18 yellow scarf is next. Could somebody bring her a
19 microphone? Could you identify yourself?

20 MS. SCHOTT: Yes. Sonny Schott
21 Globovision Venezuela. Recently, Mr. Walters, you
22 fixed your position on the cooperation with Venezuela
23 and the fight against drugs and terrorism. Do you

1 perceive any improvement in the cooperation because
2 the Venezuelan government is saying that it is
3 cooperating with the United States in all its
4 capacity. Do you have any comments on that? Thank
5 you.

6 MR. WALTERS: Yes. I don't agree. We've
7 had some cooperation, it's been sustained with some
8 enforcement matters. I think the DEA has had
9 reasonable cooperation in some regards, but the
10 fundamental issue is is there have been press reports,
11 the Venezuelan government has provided to both
12 terrorist groups and some of those that are obviously
13 involved in drug trafficking, and they have probably
14 provided weapons and other kinds of support. That's
15 just not cooperative, especially in this environment.
16 And it's troubling, it's troubling to people in the
17 region, and it's troubling to the United States.

18 MR. DE BORCHGRAVE: Yes, the gentleman in
19 the middle row. Yes, sir.

20 PARTICIPANT: (inaudible) from the Spanish
21 (inaudible). You indicated that the government of
22 President Uribe has exceeded his promises. Do you
23 have any specific data on what they promised to do

1 related to hectares and their cultivation,
2 interdiction production and what has been achieved?
3 And the second question is whether you have any
4 indication it's having an impact on the supply and the
5 price.

6 MR. WALTERS: Well, the overall -- the
7 commitment he made, as I said, was we will have zero
8 production in Colombia. He didn't say that would
9 happen in one year, but, as I said, he had produced --
10 last year, our estimate was that there was a 15
11 percent reduction over 100 -- the equivalent of over
12 100 metric tons of cocaine from the Andes, largely the
13 result of Colombian efforts. A 15 percent reduction
14 of cultivation was in Colombia. It created a 12
15 percent overall rate because there were slight
16 increases in Bolivia and Peru, but they're a smaller
17 part, but the overall reduction was 100 metric tons.
18 Since that time, as I said, he's sprayed over 100,000
19 hectares. We don't have our report, but the UN, as
20 you may know, released a report suggesting that over
21 the last year there was a further 30 percent reduction
22 in cultivation. We'll have our estimate at the end of
23 this year or the next couple of months. They're still

1 doing some of the -- I think the end of this -- during
2 this month we'll do an opium cultivation estimate.
3 The estimate on coca will come at the end of the year.

4 So we don't have all that data yet, but
5 they've been proceeding at a record pace. That has
6 reduced some clear revenue, as we have reports, to the
7 trafficking groups, armed groups on the left and the
8 right. As I said, it's contributed to desertions,
9 it's contributed to logistical difficulties, resupply
10 and other areas. In the single largest growing area,
11 Putumayo, which was a huge part of production in the
12 last little over a year, they've reduced cultivation,
13 we've gone back and checked, by over 95 percent. It's
14 not nibbling around the edges. We want to have the
15 eradication, make people see that growing coca is not
16 a going business, and they have done that.

17 Now, we have taken additional attacks on
18 aircraft, we have had some -- obviously, the
19 Colombians have paid a serious price. But he's also
20 committed to provide lawful order throughout the
21 country, and I believe by the end of this year there
22 will be a presence of law, courts, government,
23 institutions for health and welfare and for the first

1 time in maybe ever in Colombia, certainly in modern
2 history, government presence in every municipality of
3 any size in Colombia. That is a remarkable
4 achievement.

5 Also, as you may know, Colombia over the
6 last year we had a lot of wealth moving out of
7 Colombia that threatened their economy. Over the last
8 year, not only has wealth stayed there but that
9 economy has grown more rapidly than any other in the
10 region, and we all think we need to boost economic
11 growth in the hemisphere, but the result of security
12 has been greater prosperity. That will only continue
13 to grow as time goes on. My last visit a couple
14 months to Colombia I was pleased to see building are
15 being built again and prosperity is beginning to come
16 back.

17 And I think it's represented in what you
18 see with people. I mean we just had a report released
19 by NGO yesterday about the perceptions of corruption
20 There are remarkable improvements in Colombia, as well
21 as obviously, remarkable popularity for President
22 Uribe and his government over a sustained period,
23 which is not usual in these cases. It's not just good

1 spin, it's good deliverables: Peace, murder rates
2 have dropped over 50 percent, kidnap rates have
3 dropped over 50 percent. As he said, contrary to what
4 people have believed in the past, a strong government
5 tied to just institutions is a means of providing
6 liberty. It's not a threat to liberty. In the past,
7 people have feared government authority because it
8 would be abusive. He has committed himself to making
9 that government stronger and a defender of human
10 rights, and he's done that. And the fact that there
11 are fewer deaths and kidnappings is a manifestation.

12 Also, I would say that what this shows is
13 the dependence of these organizations on drugs. The
14 single greatest damage to the armed groups on the left
15 and right has been that they don't have money to carry
16 out operations and I believe the most important
17 example of that is they're all suing for peace. You
18 don't sue for peace when you're winning. They all
19 want a deal. Right now they want deals on terms that
20 we haven't come to closure yet, but the clearest sign
21 that he's going to achieve his goal is the other side
22 is trying to negotiate the terms of surrender.

23 MR. DE BORCHGRAVE: The gentleman with the

1 blue shirt in front of the camera.

2 MR. IKEDA: Thank you. Mr. Walters --

3 MR. DE BORCHGRAVE: Would you identify
4 yourself, sir?

5 MR. IKEDA: Yes, sir. Nestor Ikeda,
6 Associated Press reporter for Latin America. From
7 Colombia to Peru and Bolivia --

8 MR. DE BORCHGRAVE: Excuse me, could you
9 sit down, because you're in front of the camera, sir?
10 Thank you.

11 MR. IKEDA: You said you are quite
12 concerned about what is going on in Peru and Bolivia
13 in the fight against drugs. Would you be more
14 specific on what your concern is about, maybe the
15 governments of President Toledo and Gonzalo Sanchez de
16 Lozada are being too weak for your expectations?

17 MR. WALTERS: Well, it's not an issue of
18 weak for my expectations, it's a matter of how do we
19 have programs that are going to get us to where we
20 want to be? For both of those governments, I think
21 it's been clear over the last decade, it's clear to
22 them now, drug trafficking magnifies fundamental
23 problems for stability, economic growth, democracy.

1 Everybody I think has seen that the sendero ten years
2 ago got substantial resources from drug trafficking,
3 protected drug trafficking, and going after that group
4 and going after the cultivation, which dramatically
5 declined, of course, in Peru provided a measure of
6 order and peace. And the problem today is that we
7 have had difficulty operating alternative development
8 programs because the violence in the areas we're
9 trying to operate them has been too great to allow
10 them to continue at the planned rate and in the
11 operations that we had initially started.

12 There has to be in Peru, one, I've talked
13 to officials in both countries, I think the model is
14 President Uribe. There has to be a commitment to go
15 to zero and not to play a game about, well, how much
16 do we have to do to keep aid coming? These countries
17 receive substantial aid from the United States if you
18 look at what is being provided throughout the world --
19 almost \$100 million or more to each country. And the
20 issue is not how do we meet the minimum requirements
21 to keep the aid flowing, the issue is for them and for
22 us, I think, how do we make the drug problem smaller,
23 because it is being used to feed political unrest,

1 it's being used to attack democratic institutions, as
2 I said, it must -- it inevitably must, and it's being
3 used to discourage the growth and the rootedness of
4 free institutions in parts of the country that have
5 been cut off in the past.

6 So the real task is can you deploy
7 security forces and can you create a plan to eradicate
8 the underlying drug business in a systematic way? I
9 think neither government has come up with such a plan
10 and implemented it in the last several years. They
11 have to do that, because the danger of the success in
12 Colombia obviously is that there could be an effort to
13 reestablish cultivation and production in those other
14 countries. As I say, it has not happened over the
15 last couple years. It will not be easy to move that,
16 those connections and so forth, but it's not
17 impossible for it to happen. Now is the time to lean
18 in and to strangle this problem aggressively.

19 I had a very good discussion with the new
20 Prime Minister of Peru when she visited Washington a
21 couple of weeks ago. She was very impressive, very
22 clear headed, and expressed a desire to take this on
23 more aggressively with the President and other members

1 of the Peruvian government. I think that's great and
2 obviously important. I understand that it's been
3 difficult in Bolivia and the stability and weakness of
4 institutions have always been played on by drug
5 traffickers, but there's no choice. These people want
6 to take away the government of democracy, of economic
7 promise, and it's pretty obvious. No country anywhere
8 in the world is going to have a better economic future
9 by becoming a narco state. Nobody's going to invest,
10 nobody's going to come there, no one's going to want
11 to have trade and intercourse with them on any level
12 because it's going to risk being a trade that expands
13 a drug problem. So if people are holding up as a
14 future, "Hey, it's great. Drugs is great growth
15 industry," it's an acid that destroys the places where
16 it rests, and that has to be clear, and I think it
17 also has to be clear that the false view that it
18 provides economic growth is based on the kind of
19 hideous imaginary future of I can participate in the
20 production of criminal poisons to poison others and
21 that's going to be a long-term solution. It's not.

22 MR. DE BORCHGRAVE: The gentleman here
23 with the blue shirt, front row.

1 MR. LOPEZ: Thank you. Jose Lopez of the
2 Mexican News Agency. A couple of months ago, you
3 announced a new strategy to try to facilitate or
4 expedite the extradition of the Aryan gang members to
5 the U.S., both those who are under custody and those
6 who are fugitives, when and if arrested. How close
7 are you to that goal? How close are you to getting
8 all those fugitives? The fugitives now, did you
9 increase the reward? And, in general, do you still
10 have concerns about the rate of completion of --

11 (END TAPE 1, SIDE A)

12 (BEING TAPE 2, SIDE B)

13 MR. LOPEZ: -- extradition request to
14 Mexico?

15 MR. WALTERS: We're still working with the
16 Mexican government to try to better harmonize legal
17 structures with regard to extradition. This has been
18 a very powerful tool in Colombia now and in other
19 countries, and we have had, I should hasten to point
20 out, which you know, still record numbers of
21 extradition to the United States. We've had some -- I
22 think the discussion of extradition has masked the
23 fact that we've had a number of people of significance

1 in drugs move, both last year and this year, from
2 Mexico to the United States and that's good. We
3 obviously have not overcome the problem of the Supreme
4 Court decision in Mexico that prevented extradition,
5 but we have -- the new indictments you've referred to,
6 we've tried to change the indictable charge so that we
7 will not risk life imprisonment or sentences that are
8 excessive under Mexican law. We've not yet I think --
9 my recollection, and I may be wrong, and I'll be happy
10 to correct it if I am, I don't think we've actually
11 had a good extradition of those individuals under the
12 new regime. We haven't fully tested whether that's
13 going to be an effective solution. We hope it will
14 be.

15 But, again, as your question indicates,
16 our goal is to make sure that national borders are not
17 a shield for these criminals and terrorists, and we
18 have more cooperation than ever before, and I think we
19 will work to provide greater harmony with respect for
20 sovereignty of our partners in these cases. It's not
21 easy. There's ignorance on both sides, and we've been
22 trying to bring together prosecutors and judges as
23 well as enforcement officials to see how to solve the

1 problem rather than sometimes they become frustrated
2 because they're either being called names or they're
3 finger pointing at something that's stalled. We're
4 not there yet is the short answer to your question,
5 but I think we still are hopeful that the changes we
6 made will produce progress, and, frankly, the
7 aggressiveness of the Mexican government has been as
8 great or greater than any point in the last two years.

9 So we are -- we could not be happier.

10 MR. DE BORCHGRAVE: The gentleman standing
11 up.

12 MR. ROGUS: Mr. Walters, with regard to --

13 MR. DE BORCHGRAVE: Could you identify
14 yourself, sir?

15 MR. ROGUS: I'm sorry. Dave Rogus,
16 consultant. Brazil has found itself increasingly
17 dealing with a dramatic range of narcotics-related
18 violence and problems. I wonder what the level of
19 dialogue now is between your office and the Brazilian
20 government on this matter.

21 MR. WALTERS: Yes. We've had less intense
22 dialogue with the Brazilians, although we're
23 interested in expanding it. My Deputy for Supply

1 Reduction met with Brazilian officials and we've had
2 discussions in some of the hemispheric fora. They
3 have been -- we've been sharing information with them
4 particularly on demand reduction because of the growth
5 in consumption and addiction that they've faced, and
6 they've been setting up policies. I think the new
7 government, the President, is still setting some of
8 these policies in place. They have had more extensive
9 discussions with the Colombians given the border and
10 the problem of flow into Brazil from Colombia as well
11 as the problem of arms trafficking and terrorist
12 groups.

13 I'd say we have a way to go in terms of, I
14 think, probably being as well connected to the
15 Brazilians as we should be, but I'm also a great
16 believer in focus. We'll do one thing at a time,
17 let's get that done. Try to do everything, you do
18 nothing. So this is not an excuse for not being
19 further, but on these kinds of extensive relationships
20 it takes focus and we want to make sure that right now
21 we focus particularly on the opportunities in Colombia
22 and Mexico. We've made that clear in our drug
23 strategy, but we're not trying to neglect other parts

1 of the world. Brazil is obviously very important.

2 MR. DE BORCHGRAVE: Yes, sir. Second row,
3 microphone, please.

4 MR. PERL: Thank you. Raphael Perl with
5 the Congressional Research Service. My question is
6 about the drug majors list, the congressionally
7 mandated list of major drug producing and trafficking
8 countries. In your remarks, you spoke about a \$9
9 million a year marijuana industry in Canada, and you
10 referred to Canada as a major supplier of precursor
11 chemicals for methamphetamine to the United States.
12 My recollection is that Canada is not on the majors
13 list that was released recently, and my question is
14 there is a loophole in the law?

15 MR. WALTERS: Well, I don't know, it
16 depends on how you read the law, but we've addressed
17 this because for the last two years the President has,
18 as you probably know, listed Canada and the
19 Netherlands as countries of concern, that they were
20 not found to have met the current definitions in the
21 law, which largely are based on -- which were largely,
22 first of all, not for synthetics I think is clear. It
23 was based on cultivated plants that were used in the

1 production of illegal drugs. There may be a need to
2 look at that. But in addition, the production in
3 Canada has largely been in indoor growth, so while it
4 is possible, while not always easy for us to get
5 estimates of cultivation that's out in the open, it is
6 obviously harder to get estimates of those that are
7 under cover. But, yes, we think we'd better deal with
8 that, and we are talking about working on definitions
9 that are fair, because I think the list is not, as I
10 said, some Canadians who were concerned about us
11 listing it as a country of concern. This isn't about
12 whether or not we like you, this is a responsibility
13 Congress has given us to tell the truth. And if you
14 don't like the truth, change the facts on the ground.

15 And that's obviously what the Congress had in mind.
16 So, yes, I wouldn't be a bad idea, and we're in
17 discussion with Congress about this, the certification
18 process, as you know, has changed in recent years. I
19 think it's better now, but it's a tool, and we need to
20 keep the tools up with current realities.

21 I think the other issue you bring up is
22 I'm concerned, frankly, about some of the tendency not
23 to take seriously international treaty commitments.

1 Most of the countries that we're dealing with that are
2 developed countries, and many of them that are not
3 developed, signed a convention that was referred to as
4 the Vienna Convention on Psychotropic Substances.
5 They have responsibilities regarding the control
6 domestically as well as the cultivation or production
7 for export. Many of the changes, including the
8 changes in Canada, violate their commitments under
9 that treaty I think by any serious reading. Now,
10 there's been an effort to try to kind of logic chop
11 these various provisions to pretend like this -- that
12 decriminalizing and allowing cultivation and freeing
13 this up is not a violation. It is.

14 If these treaties and international
15 commitments are going to have meaning, they have to be
16 enforced, and I've encouraged people in Congress to
17 also look at the possibility of doing hearings on
18 commitments to those treaties. And I've talked to
19 Antonio Costa, the head of UN Office on Drug Control,
20 to raise the issue of should the UN as the sponsor of
21 these treaties begin to look at whether or not there's
22 compliance, and I think it's time to not let people
23 pretend that games can be played here about their

1 obligations under those treaties. I think
2 particularly at this time when we're talking about
3 need for cross national efforts to stop these national
4 borders from being used as shields, it's time to get
5 serious about these international agreements and not
6 allow them to erode, which they are currently doing.

7 MR. DE BORCHGRAVE: The back, I think
8 Judge Sessions, former Director of the FBI. Welcome.

9 MR. SESSIONS: Thank you. Good morning.
10 Could you talk about the impact to the U.S. Patriot
11 Act provisions on trafficking and on the problem?

12 MR. WALTERS: Yes. Thank you. Good to
13 see you, Judge. As the Attorney General has said, a
14 number of the provisions of the Patriot Act actually
15 have been structured on what we have done in regard to
16 illegal drugs. It gave us the ability in regard to
17 terror to go after with more flexibility things like
18 wire taps and other kinds of tools that have been
19 crucial in attacking organized crime and especially
20 drug crime. In regard to money laundering, it does
21 allow us greater use of information that the
22 government has. As you know better than I, we were in
23 this somewhat absurd position of the government on one

1 side knew something bad was going on but it couldn't
2 tell government on the other side directly or
3 effectively or as effectively as it should. And we've
4 eliminated, to some degree, that obstacle.

5 We are trying to be more serious.
6 Frankly, the government and enforcement agencies moved
7 away from attacks on money in the drug trade over the
8 last ten years further than we think they should have.

9 There's a commitment in DEA through the Attorney
10 General's direction and the new Administrator there,
11 Karen Tandy to make going after the money a
12 fundamental part of enforcement. We are working to
13 include financial investigations. Again, we are
14 trying to reconceptualize the way in which we fund
15 programs and do enforcement, looking at the businesses
16 that are the drug trade. It is, I believe, idiotic
17 that many people believe in the United States that
18 legitimate business can be harmed by government
19 regulation or criminal law but the drug business can't
20 be. We harm that business every day and we're doing
21 more studies that show the cost of doing business that
22 has changed. But we have not done a very good job of
23 going after the money. If you look at simply the

1 money, the amounts we estimate that are being
2 generated and the amounts we are seizing are not high
3 enough, and they would be higher if they were
4 legitimate business and they were taxed. So they are
5 being able to evade too much of the financial
6 enforcement that we should be providing, and we're
7 trying to provide better information on how that's
8 being done.

9 I will say there are some signs that some
10 of the efforts have been successful, however.
11 Whenever you see bulk shipments of cash, which we see
12 in large amounts when we seize them, coming out of the
13 United States, it's a result of the fact that we've
14 changed the banking system in the United States to
15 make it more difficult for them to secrete those
16 revenue inside the banking system of the United
17 States. Now, is it impossible? Are some of them
18 doing it? They probably are, but we see increasing
19 reports of bulk shipments of cash. That makes it
20 incumbent on us to work with Mexico and countries in
21 this hemisphere to go after the international banking
22 system that's allowing the secretion, obviously, of
23 these dollars in the banking system outside of the

1 United States. So, again, we have to put pressure
2 directly, but we have tools to do this. It's a matter
3 of getting them deployed.

4 MR. SESSIONS: Do we now know if the
5 channels for the transfer of that money has changed?

6 MR. DE BORCHGRAVE: Judge, the microphone.
7 Thank you.

8 MR. SESSIONS: Do we now know that the
9 money system has changed; that is, the method by which
10 they use the transfer of funds has gone from the
11 banking industry over into large shipments of cash?
12 Is that what has happened?

13 MR. WALTERS: Well, outside the United
14 States, but we're now working with the people in this
15 hemisphere to go after what's referred to as the black
16 market peso exchange, which is used for both
17 legitimate commerce and for illegitimate commerce, and
18 we're trying to deploy the ability for these countries
19 to use enforcement and use our information effectively
20 to go after this. So, yes, in a certain way, a bigger
21 part of the movement into the legitimate banking
22 system is now happening outside our borders. It
23 always, as you know, happened to some degree outside

1 our borders in certain places and we aggressively went
2 after them in some offshore banks and other big cases
3 that closed down some of these. We have to stay after
4 them. But the cases are one thing, the overall policy
5 and enforcement power that has to be built to allow
6 more systematic enforcement is the other, and we need
7 to do both simultaneously. Thanks, Judge. Good to
8 see you.

9 MR. DE BORCHGRAVE: Yes, ma'am.

10 MS. VERGARA: Good morning. Sandra
11 Vergara with RCN TV from Colombia. Mr. Walters, last
12 night, 60 Minutes, CBS, showed an hour interview with
13 an EUS contractors who have been kidnapped by the
14 FARC. They asked the U.S. government to obtain their
15 release soon and more support, and they asked for
16 exchange or humanitarian agreement. I wanted to know
17 what is the U.S. policy regarding this painful
18 situation for the families?

19 MR. WALTERS: It's painful for their
20 families. Our hearts go out to them. We are
21 obviously concerned about everyone who suffers and
22 takes risks and gives their lives for service to their
23 country. These individuals were serving their country

1 in the capacity in which they were kidnapped, and we
2 are extremely concerned. We do not negotiate with
3 kidnappers. We will not negotiate in this case, we
4 will not negotiate in any other case. We hold those
5 who hold them responsible. If they are harmed, we
6 will use the full power of the United States to bring
7 those to justice who harm them. We have made that
8 clear to them, and the Colombian government has made
9 that clear to them. It is an unfortunate situation
10 where at this point we have not had the ability to
11 rescue those individuals. I know there was discussion
12 of rescue during the interview, although I did not see
13 the interview last night. But make no mistake, we're
14 not negotiating, but we're holding the people
15 responsible, and I believe the record of the United
16 States in bringing people who do this to justice is
17 unprecedented. Turn them loose now.

18 MR. DE BORCHGRAVE: Yes, in the back, sir.

19 MR. MILLIKAN: Al Millikan, affiliated
20 with Washington Independent Writers. What is your
21 current assessment of the mafia? Has the war on
22 terrorism altered any of their past terror like
23 activity?

1 MR. WALTERS: I don't know, that kind of
2 gets outside my direct responsibilities. My
3 impression is that organized crime -- traditional
4 organized crime in the United States using tools like
5 Rico, wire tapping, the Witness Protection Program
6 during the tenure of former FBI Director and others
7 dramatically removed those organizations as a threat
8 to American freedom and democracy. The tools of
9 enforcement are effective when we use them in a manner
10 that are appropriate and consistent with principles of
11 protecting our rights, because of course these
12 criminals are designed to threaten your rights, and we
13 have been effective, and in fact we have more
14 countries who are increasingly looking to us as they
15 come into a democratic state to find how to use wire
16 tapping, witness protection, the ability to have
17 effective conspiracy laws.

18 It took us a long time to do this, and
19 there still are problems in some countries with I
20 think effective pressure, but we've also used tough
21 penalties for those who are serious and threaten
22 fundamental liberties. I think that also has to be in
23 there. I know there's been a tendency in some places

1 of the world to say, "We shouldn't imprison people
2 even if they're a serious threat." We've made a
3 different decision, and I point out that murder rates
4 are at a 30-, 40-year low, crime has been dropping
5 dramatically, we actually have drug use going down,
6 although we're not happy at the rate and we want to
7 increase it, as the President has made clear, and
8 there are additional threats that we have to worry
9 that crime will become involved in, as I've talked
10 about. So I think the reason I'm optimistic is we
11 know how to do this. The question is how fast can we
12 put the tools in place and use them to make people
13 safer as rapidly as possible?

14 MR. DE BORCHGRAVE: Yes, sir.

15 MR. AKERS: Erik Akers, with the Senate
16 Drug Caucus. Traditional drug trafficking
17 organizations, you think of Cali Cartel, Medellin
18 Cartel, were kind of soup to nuts organizations. Is
19 it your impression, Director Walters, that drug
20 trafficking organizations still trend for this soup to
21 nuts type organizations or is there more specialized
22 smaller organizations? And if so, what kind of policy
23 shifts does that indicate that we should be

1 contemplating?

2 MR. WALTERS: Yes. I think it's somewhat
3 mixed. Let me start out with my general principle:
4 In this case, smaller is better. Big, powerful
5 organizations obviously can make fundamental threats
6 to democratic institutions and societies. Smaller
7 threats are still threats but I don't subscribe to the
8 view of some of, well, if you make them smaller, you
9 make it harder, you make it easier, because we want to
10 take this from a national security threat and make it
11 a police problem, not to say that makes it minimal but
12 it makes it more manageable, it makes the threat, and
13 it makes them less powerful. Anything that weakens
14 them is good for us.

15 In some places, we have had some
16 fragmentation and I think some specialization. I'm
17 thinking of things like transportation groups and so
18 forth that now are substructures. There was a period
19 of time, as you mentioned, with Medellin and Cali
20 where we had kind of vertically integrated operations.

21 You see a little bit more of that I think with the
22 Mexican organizations that have grown in strength than
23 you see in some other places, but there's been a

1 tendency for these groups to somewhat specialize. I
2 think that's also a result of the fact that we've been
3 able to bring pressure against large groups.

4 The problem with consolidating is it makes
5 you vulnerable as an entity, and our conspiracy laws
6 and our laws in working with those who will give
7 evidence in exchange for lower sentences are extremely
8 powerful tools. It is almost impossible to overstate
9 the importance of tough sentences for bad guys, making
10 bad guys turn on other bad guys. There is no better
11 counter intelligence tool in this business than that,
12 and we have used it aggressively and effectively.

13 And I think in regard to some of these
14 other areas, we are not as clear about some of the
15 substructures, and that's one of the things that we're
16 now pushing. With the consolidations, frankly, that
17 the Patriot Act and the standing up of the Department
18 of Homeland Security gives us the ability to take
19 Justice Department organizations, Treasury Department
20 organizations and DHS organizations as well as the
21 National Security agencies and be responsible for
22 intelligence and put together a picture of how this
23 business works. It's multiple businesses and multiple

1 places and to make that something we know in more real
2 time so that we don't just know it after we already
3 did the case. We know it more going in and we can
4 then derive policies and programs against it looking
5 forward. Our goal is to make drug trafficking futures
6 dive as fast as possible if you want to talk about it
7 in terms of a business, and we appreciate the help
8 that you and your boss and others have given us.

9 MR. DE BORCHGRAVE: Yes, here in the
10 second row. Could you wait for the mic, sir; it's
11 right behind you.

12 MR. DONOHOO: Good morning. Steven
13 Donohoo from Kissinger McLarty Associates. Would you
14 talk a little bit about resources and whether with the
15 standing up of DHS you feel like the drug war
16 continues to get the resources it needs? And are you
17 in a position now to use one of your capacities to
18 certify the budgets of some of the DHS departments?

19 MR. WALTERS: Yes. We've been working
20 with DHS on that. I think this is a very important,
21 and has already been, a very powerful new tool. The
22 current coordinator of interdiction efforts by the
23 federal government is also my Director of Intelligence

1 and has extensive experience here. It's brought us
2 together working with the new Administrator at DEA,
3 the ability to bring together Customs, Coast Guard --
4 former Customs, Coast Guard, Border Patrol with these
5 efforts. The FBI, which has been pressed into the
6 area of terror and had to move people as they
7 announced, has been very careful not to -- within the
8 realm of possibility not to disrupt major
9 investigations, and we have backfilled over the last
10 couple of years the positions that were lost largely
11 in the appropriations request, one is still pending,
12 for DEA. I think this gives DEA certainly greater
13 responsibilities. The FBI is not out of the drug
14 business, although it obviously has a bigger portion
15 of its business going to terror.

16 But, frankly, I think the most important
17 thing, because there has been this concern that hasn't
18 the war on terror somehow damaged the war on drugs.
19 What I've tried to do in my comments today is to say
20 why you can't separate the two; in fact, I think it's
21 more incumbent. And I believe the leaders of the
22 federal government at this time fully understand,
23 appreciate and are acting in that direction.

1 Now, it's a big thing, at the same time,
2 to stand up a new department -- I'm sure you're aware
3 of this -- and we haven't worked out all the kinks
4 yet. And there are still issues of consolidation and
5 authority, but we're bringing together for the first
6 time major -- we're proposing major centers on
7 financial attack, major centers to create combined
8 intelligence on narcotics threat, and we have the
9 ability to solve what had been some friction between
10 key agencies on the border and extending beyond the
11 border that we didn't have before.

12 I will also say there's been some
13 criticism, you didn't raise it, but about how much has
14 the Defense Department been able to do, it's also been
15 stretched. The Defense Department has been extremely
16 reliable in meeting its commitments as we have asked
17 for appropriations in providing resources. There
18 obviously have been times of particular threat where
19 we've had certain assets from both DHS and Defense had
20 to be pulled back to protect things inside the
21 continental United States and off our shores, but,
22 generally speaking, we've had remarkable success.
23 This year, we're on a record pace for interdiction,

1 and that's a result of better intelligence as well as
2 maintaining effort. We were concerned about that, and
3 that concern has been overcome by the hard work of
4 people there. Now, are we where we want to be in a
5 year or two? No. But we have again here have
6 unprecedented opportunities to be stronger. So I
7 believe not only are we making progress but in all the
8 key areas we are getting stronger to make more
9 progress.

10 And I think the other thing about the
11 threat on terror is, and I would be remiss if I didn't
12 mention, although it's not directly what you asked
13 about, it's changed the climate for young people in
14 the country. I talk to a lot of school groups, middle
15 school and high school. The issue of responsibility
16 is not always in the past been the first thing on
17 their mind, and it made it harder to talk about,
18 "Well, you shouldn't be thrill seeking, and this is a
19 delusion, it's a false promise. You're going to get
20 in danger." When society said to them, "You need to
21 have all the excitement you can," for many of them I
22 think before September 11, 2001, they thought the
23 world was a kind of shopping mall, and their goal in

1 life was to figure out what their wish list was and
2 make the world give it to them in too many cases.

3 What happened on September 11 for many of
4 them was fundamental in their lives. They saw that
5 there were real enemies and more importantly they saw
6 that there were people who not only risked but gave
7 their lives freely for other people because they
8 believed in something beyond themselves and they were
9 inspired. That makes it easier to talk about
10 responsibility, and, frankly, it makes it harder for
11 people who want to say, "Go ahead and be
12 irresponsible," when you explain what's at stake to be
13 taken as seriously.

14 We still have some problems? Sure, we do,
15 and for too many young people they believe that the
16 baby boomer generation, or starting with that, we've
17 set a standard that in American coming of age means
18 experimenting with dangerous, addictive substances.
19 We have to change that example. We have to make it so
20 they don't believe they're expected to use marijuana
21 or ecstasy or cocaine or alcohol, frankly, before
22 they're of age, and, certainly, with the illegal
23 drugs, never. But it's easier to do that today. Now,

1 we have to take advantage of that opportunity, these
2 kinds of things change, but I do think that we are at
3 a time when responsibility is in season, and that
4 makes my demand task easier.

5 MR. DE BORCHGRAVE: Yes, sir.

6 MR. ROCKWELL: Rick Rockwell with American
7 University. I'm wondering -- having some trouble here
8 with the microphone. I'm wondering if you could
9 respond to critics of U.S. drug control policy in
10 Guatemala, specifically, the CIA actions in the '80s
11 and '90s which encouraged corrupt elements in the
12 Guatemalan military and security agencies who have
13 become involved in drug trafficking.

14 MR. WALTERS: Yes. I mean I'm not
15 familiar with those specific critics, so I'm going to
16 respond to what I know about. I've learned the hard
17 way that you ought to stick to that in Washington.
18 Look, Guatemala has a big problem, and we certified
19 Guatemala this year clearly recognizing that they're
20 not where they need to be. But we did this on the
21 basis of improvements over last year and an effort to
22 try to move them into a better place. It is not to
23 say that we think everything is great in Guatemala or

1 that adequate measures are being taken, but it is to
2 say that there were improvements and we made a
3 judgment call about where we think we can best move
4 further improvements ahead.

5 I recognize that other people may
6 disagree, and I respect that, because I think this is
7 a kind of -- this is a closer call than most of them,
8 but we're the ones responsible for recommending to the
9 President, and the President decides how to use that
10 power of certification, and we decided in this case
11 that we're going to try to move things ahead and this
12 was a way to do that.

13 So that's why we did it, but it was not to
14 say that we don't think there has to be substantial
15 improvement in Guatemala, and we will work with people
16 who are responsible in Guatemala to make those
17 improvements, and if they don't occur, we will tell
18 the truth that they're not happening and we'll say
19 that things are going the wrong direction, and we will
20 probably decertify them.

21 MR. DE BORCHGRAVE: Yes, sir, front row.

22 MR. THOMPSON: Yes, sir. John Thompson of
23 Alion Science and Technology. Sir, many people were

1 disappointed with the initial response of the European
2 community to Colombia's request for support to Plan
3 Colombia. I wonder if in the recent conference you
4 attended in Rome you detected any greater appreciation
5 for what President Uribe is doing and an increased
6 willingness to support his efforts.

7 MR. WALTERS: As I say, the prevention
8 people I worked with were generally supportive but
9 they didn't have responsibilities in this area. I
10 certainly think that the Italian government and
11 frankly the governments of Spain have been more
12 supportive as has the government of Great Britain in
13 Colombia, but the rest of Europe has been extremely
14 disappointing in two respects. One, they are now
15 clearly the second largest market for cocaine. The
16 events in Colombia are going to be dramatically
17 helpful to them as these things progress by everything
18 we know, and they're doing nothing.

19 In fact, I would say the other part of
20 this is they're doing worse than nothing. They are
21 criticizing the government of Colombia usually on
22 environmental grounds. Now, what is particularly
23 outrageous about this particular counter productive

1 behavior is, as you probably know, there is not even a
2 close call the environmental damage done by the drug
3 production business in Colombia versus what's
4 happening with regard to eradication.

5 Not only does the business cut triple
6 canopy jungle and then because it's fragile soil have
7 to cut it again because it doesn't sustain the coca
8 for a long period of time so they have to move fields
9 to keep them productive, but they also dump tons and
10 tons of chemicals in the processing into the Amazon
11 watershed, chemicals not only petrochemicals in the
12 first stages of processing but things like acids and
13 others in subsequent stages. And of course the
14 eradication is designed to end this business and this
15 environmental damage.

16 It uses a herbicide that is more widely
17 used in agriculture, not only in Colombia but in other
18 places around the world, and it is used with the kind
19 of precision that I don't believe is fully
20 comprehended except by those who actually carry out
21 the program. Not only do we try to find plots very
22 carefully, we measure with GPS systems where spray
23 goes and we compensate people when there's an error,

1 and we go back and try to make sure that we check, and
2 no pilot pulls the trigger on the spray until they
3 visually see the field. The safety that they reduce
4 to be this careful is significant, and they do it
5 because of the care that we, and the Colombian
6 government most of all, want to have in this area.

7 At the same time this is going on with, I
8 think, a proud record of concern not only
9 environmental but human, the Europeans cannot bring
10 themselves not only to support even alternative
11 development but can bring themselves simply to
12 criticize as outrageous the fact that this is going
13 on. It is through the looking glass. It is
14 irresponsible, it is unhelpful, it is obviously
15 annoying.

16 MR. DE BORCHGRAVE: Anymore questions?
17 Perhaps I could ask you -- oh, I'm sorry, yes, sir?

18 MR. BUSTOS: Sergio Bustos with the
19 Arizona Public and Gannett News Service. In speaking
20 with the U.S.-Mexico border, the tightened border has
21 essentially prompted a new industry of people
22 smuggling, and there is talk or evidence that there is
23 a connection between the people smugglers, which is

1 growing into a lucrative business, and the drug
2 traffickers. Have you seen any evidence of a link or
3 a growing link between the two? Are they one in the
4 same or are these essentially separate organizations?

5 MR. WALTERS: I know there's been some
6 discussion of people who may be running transportation
7 or border crossing services being involved in it too.

8 I've not seen evidence that that's substantial. I
9 don't -- I will confess off the top of my head I'd
10 have to check to see if there's more reporting than I
11 remember off the top of my head, but I think that,
12 generally speaking, these have been somewhat separate,
13 although there also are, of course, individuals that
14 are used to carry drugs in backpacks across the border
15 in some areas. I think those people are mostly
16 expected to come back after they drop the drugs off,
17 but I wouldn't say that in all cases it's not a person
18 and the drugs that's going across the border.
19 Obviously, this is an area we are concerned about and
20 trying to limit, both for the safety of the
21 individuals and you know some have died as a result of
22 the way these smugglers have treated them there, but
23 also, obviously, in regard to the lack of control of

1 individuals, some of whom may not be benign who come
2 across the border.

3 MR. DE BORCHGRAVE: Local profits in
4 Afghanistan and Pakistan have been estimated at
5 roughly \$1 billion for the poppy growers, opium and
6 heroin. By the time it gets to Europe, profits are
7 estimated at a total of \$24 billion. I wonder if you
8 have sort of rough guesstimates about the global
9 profits from narcotics trafficking?

10 MR. WALTERS: I don't. The UN has a
11 number. I think the problem is that when you get kind
12 of estimates on top of estimates, it's kind of hard to
13 predict. We estimate that it's about -- in the United
14 States about \$60 billion. We probably have better
15 estimates. But I'll say one thing about it, about the
16 estimate problem, not that you want to go this far
17 into the weeds, but we've also begun to collect
18 information from consumers, some that are here
19 arrested, some that are just made in surveys, about
20 how they get their drugs and how they pay for it.
21 This requires us to look more seriously at exactly how
22 the money is generated in the market, because a
23 surprisingly higher rate number of these consumers do

1 not exchange money for the drugs. Some of it they may
2 provide some service to the business of the drug
3 trade, some of it they may provide other things non-
4 monetary to -- they steal or other kinds --
5 prostitution, other kinds of things. But it does also
6 look like a part of the drug trade is not simply a
7 cash generating business, which, of course, gets to
8 the issue of how much -- what should we be looking for
9 in terms of money flows, in terms of cash?

10 And also, I think, the other part of your
11 question, how much of this becomes a kind of series of
12 cultural changes that we also have to deal with if
13 we're going to deal with the business that's the drug
14 trade, because it's not simply a matter of cutting off
15 the money as a way of stopping the business if the
16 business is being supported in terms of incentives
17 that are non-monetary that occur inside some of these
18 cultures, which can be some of the most corrosive
19 things that we have to address. I would -- I mean the
20 UN has some number about overall dollar figures, but I
21 don't really take much stock in those because I think
22 it's extremely hard to estimate.

23 MR. DE BORCHGRAVE: Well, I think it

1 remains for me to thank you, Director Walters, for a
2 remarkable presentation. I said it was going to be a
3 treat, and I don't take that back, because you gave us
4 quite a lot of good news along with the bad news. So,
5 please, help me in thanking Director Walters.

6 (Applause.)

7 (Whereupon, the Presentation of John
8 Walters was concluded.)

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