

CURRENT PROBLEMS IN THE COMBAT OF TRANSNATIONAL ORGANIZED CRIME (PAKISTAN PERSPECTIVE)

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I. INTRODUCTION

“Organized Crime”, initially synonymous to a certain Italian phenomena like ‘Mafia’, ‘Camorra’ etc., has now extended to cover the whole world and is the most difficult challenge to criminal justice policies. Criminals no longer live within the parameters of national boundaries. It facilitates criminals to operate transnationally, both in terms of finance and their own security. They don’t encounter the difficulties - which the law enforcers face - when crossing national borders for ulterior motives.

The recent decades have seen an information explosion which has reduced the world into a global village. Internet operations and satellite communications are biased in favour of criminals rather than the proponents of the criminal justice system. Just a delay of hours - which is not unusual in official channels - can create a gap of thousands of miles and man hours in the efforts to bring criminals to justice.

Law enforcers always fall behind in matching the wealth of crime syndicates. It is these riches which in fact persuade the talented unemployed to keep on joining shady activities. They obviously get a greater benefit, with less effort than they could through legitimate sources. Crime organizers do not have to pass through the cumbersome procedural requirements of demands, budgets, requisitions, sanctions,

spending rules and subsequent audits. Similarly, the proceeds of crime are not easily accessible to law officers on various counts. Criminals use intricate methodologies to camouflage the proceeds of crime and there are problems of jurisdiction across national borders. Under these circumstances it becomes almost an impossible task to prosecute and punish the offenders who operate transnationally.

The immunity so provided to crime operators is fast becoming the vehicle of a multi-fold increase in the transnational organized crime. This has been felt by most of the developed (and developing) countries and the issue of transnational organized crime began to echo in international forums. Think tanks remained busy for many million of hours to overcome the difficulties in combatting transnational crime. Discussions, Seminars Workshops, Symposiums, Conventions, Treaties etc. were designed to construct dams on the gushing flow of illicit channels. Some of these efforts, though slow, created an impact and the desired results, but most of them remained ineffective due to technology advances (of which the criminals are better availers).

It is in this context that the present paper has been written, to take stock of the problems which the world is still facing in the combat of transnational offenders. In this paper, I shall deal with issues from my own country’s point of view on the following type of transnational crime:

- (a) Illicit drug trafficking.
- (b) Illicit firearms trafficking.

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- (c) Smuggling of illegal migrants.
- (d) Illicit trafficking in women and children.
- (e) Illicit trafficking in stolen motor vehicles.
- (f) Money laundering.
- (g) Transnational economic crimes (e.g., large-scale fraud targeted at corporations or organizations, credit card fraud, counterfeit currency of financial cheques, fraud by way of manipulating computer systems or other high technology equipment).

As far as Pakistan is concerned, illicit drug trafficking and resultant money laundering are the most relevant issues. The other types of crime mentioned above are either not prevalent nationally - like large scale frauds targeted at corporations or organizations, credit card fraud, counterfeit currency or financial cheques, fraud by manipulating computer systems etc. - or if they are prevailing, they are not of much concern.

There may be sporadic cases of illicit firearms trafficking in Pakistan, but no organized gangs dealing in such nefarious activities have come to notice. However, there was the fallout of the Afghan war, when Afghan refugees sneaked into Pakistan's tribal area along with their arms, some of which were lethal and high tech, for barter trade. This issue has come to a lower level after the war turned into an internal civil war, and the Pakistan border side of Afghanistan came under the occupation of the Taliban.

There was a time when money values had changed in Pakistan - like many other developing nations - and most of the skilled/unskilled workers sought employment abroad in more affluent countries. A mushrooming growth of gangs dealing in illegal immigrants was noticed. These gangs operated transnationally. With

stringent laws and measures taken both nationally and internationally, this problem has almost come to a halt in Pakistan. There were periods in the previous years when zero illegal immigration was recorded.

Illicit trafficking in women and children is also not much of a problem in Pakistan. There was some illicit traffic from a neighbouring region and one far eastern country of women for prostitution (disguised as house maids). Similarly there was some trade of children from the southern part of Punjab (the biggest province of Pakistan) to some middle eastern countries for the purpose of camel races. Although the immigration was legal and was with the consent of the parents or guardians, it was still considered illicit on humanitarian grounds. Both these issues have since died down due to effective checks by the law enforcement agencies of Pakistan and elsewhere.

Transnational trade of stolen vehicles is a recent phenomena as far as Pakistan is concerned. Our western borders are inhabited by tribal groups on both sides. The area is called, in the local language, "Illaqa Ghair", meaning, the land of aliens. The tribes traditionally don't acknowledge the international boundaries. Their free movement provides opportunities to establish safe havens - on the other side of the border - for contraband items. These havens have become smuggling rendezvous points because of the restrictions or heavy duties imposed on certain items, which includes vehicles. The vehicles are transported to settled areas of Pakistan illegally and plied on roads with fictitious number plates. Similarly, vehicles stolen from the settled areas of Pakistan - mostly luxury cars & vans - are transported to tribal areas from where they are sold at dirt cheap prices or returned to the actual owner after receiving "handling charges",

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

which often amount to millions of rupees. This problem is almost a localized issue which can only technically be termed as transnational.

This leaves us with the actual problem area for Pakistan i.e. drug trafficking and the resultant money laundering, which consumes most of the energy of law enforcement in Pakistan.

**II. DRUG TRAFFICKING:
CURRENT SITUATION**

Drugs have remained a social menace, (in some form or other) since the time immemorial. We can not overlook the opium addiction in China, which paved way for the revolution. The Indian subcontinent too, has remained in the spiral of addiction. There is always a growing demand which, as per economic theory, creates the resultant supply. In this regard the situation in Pakistan is no different.

**A. Pakistan a Victim - not a Source
Country**

At the time of independence in 1947, Pakistan was unable to supply its own opium addicts, therefore opium was imported from India until 1956. After 1956, a few areas were allowed to produce 'licensed opium' under strict controls. The number of opium addicts never reached a significant mark. The production of licensed opium continued until 1979, when two very important developments took place:

- (a) The Islamic revolution of Iran in February 1979;
- (b) The promulgation of the Islamic Hudood laws in Pakistan which totally banned opium production. Farmers were therefore left with huge stockpiles - about 800 tons of opium - and did not know what to do with them. At this point, some Westerners taught them how to

convert opium into heroin. This is how heroin - discovered back in 1898 - was introduced to this part of the world in 1980.

As against 800,000 square kilometers of territory, opium production is confined to only a few isolated pockets of Pakistan. The area under cultivation has been reduced from 32,200 hectares in 1978, to 5215 in 1995; and poppy production from an estimated 800 tons in 1978-79, to 109.5 tons in 1995. In 1996 opium production was further reduced to only 2.8 metric tons. Pakistan is thus no longer a central producer country. It is thus clear that a very negligible area of Pakistan territory was connected with narcotics in the past. Since 1996 Pakistan has ceased to be a producer country.

The war in Afghanistan led to porous borders with the country, resulting in spread of the narco-gunculture. With no heroin addicts in 1979, Pakistan is now burdened with 1.52 million heroin addicts. Pakistan needs anything between 600 or 800 tons of poppy or 60 to 80 tons of heroin per year to feed its own drug addicts. We are, now therefore, net importers not exporters of heroin.

B. Alarming Domestic Consumption

On the consumption side of heroin Pakistan is badly effected. To know the actual ground situation, a "National Survey on Drug Abuse" was conducted in 1993. The survey dawned facts which created panic among sociologists. The following are the salient features of the survey:

- (a) There are 3.1 million drug users (0.77 million in 1988).
- (b) Most popular drug is heroin, which is used by 1.52 million (51%).
- (c) Second most popular drug is hashish, used by 0.89 million (29.5%)

- (d) Proportion of drug users:
Urban - 52%
Rural - 48%
- (e) 71.5% of drug users were under 35 years of age with the highest proportion in the 26-30 year age group.
- (f) Almost 60% were literate and a similar percentage were employed.
- (g) Among occupational categories, the frequency of drug use was highest (53.3%) for those in skilled and unskilled labour categories, followed by sales (14.1%), students (11.4%) and agriculture (10.9%).
- (h) The average monthly personal income of drug users was Rs. 3054/- (US \$ 28).
- (i) 97.2% drug users were male. 2.98% were female.
- (j) Over time, the drug abuse pattern has changed in favour of heroin instead of hashish and other traditional drugs.
- (k) Sources of introduction to drugs were mostly attributed to friends in 68.6%, and to casual acquaintances or drug pushers in 15%, of the cases. Family members made up another 9% of the cases.

No doubt the dark clouds of drug menace are surrounding Pakistan, but there is a thin silver lining also. About 60% of heroin addicts expressed desire to quit by having recourse to treatment centres. Also, the increase in the number of drug addicts was only 7% during the period 1988-93 while it was 12% during 1983-88.

C. Economic Factors leading to Transnational Traffic

Traditionally poppy cultivation is taken as a cash crop - like other cash crops elsewhere - in the tribal areas and in Afghanistan. This used to be the bread and butter, of the smaller land holders who, in the rugged terrains, had nothing else for

subsistence. Cultivation of poppy was also encouraged by the then colonial government for export to China. Still the area constitutes a very small fraction of the "Golden Crescent" of South West Asia. For centuries, the tribal area was the legitimate supplier of opium until the Islamic Haddood Laws were introduced in 1979. Evolution of heroin after this (due to reasons already explained) reduced the volume of opium but increased its price ten times. As heroin production took less hiding space than crops, clandestine operations became easy and resulted in handsome returns. Profit margins had a cumulative effect with the increase of distance from the source point. Price differentials sky rocketed when the drug reached the international market.

Price difference in the international market can be well illustrated by the fact that the heroin which costs Rs. 70,000/- to 1,00,000 (USD \$ 1550 to 2200) per kg in Pakistan, is sold for over USD \$100,000 in the streets of some developed western countries. The Criminal Intelligence Directorate of Royal Canadian Mounted Police have carried out an analysis of the international prices of illicit drugs in 1996 for comparative reference.

The huge difference in international and local market prices resulted in billions of dollars in illicit export trade. This has not only created a dearth of drugs inside our country, but also has inflated the domestic spending on drugs. A UNDCP (United Nation Drug Control Programme) study in 1994 estimated consumer expenditure on heroin in Pakistan to be in the range of Rs. 35 billion (US \$ 1.2 billion) per year. This volume of drug trade has logically created and underground parallel economy with its own supply and demand mechanism, and its own style of corruption.

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

Pakistan has also been affected by what is known as the balloon effect. If drug production is reduced in a given area, the impact of continued demand inevitably ensures that greater production occurs in a neighbouring area. Thus while Pakistan has been able to reduce its output of opium considerably, increased production in Afghanistan (2300 tons in 1996 - UNDCP estimate) due to the prevalent political situation there has served to effectively negate whatever progress we have been able to achieve. The impact to the balloon effect has clearly shown that efforts at solving the narcotics problem must also be initiated at regional levels; as increased opium production and heroin laboratories across the borders in Afghanistan have contributed significantly to the supply of opium and heroin in Pakistan.

Drug production in Afghanistan is not only meeting the domestic demand of Pakistan but it is also forming the basis of an international supply route using Pakistan territory as a conduit. The most recent trend of international drug traffic is that Central Asian States are being used for the transportation of drugs to Europe/ U.S.. This fact is acknowledged by the INCB report for 1995 and 1996, and the Conference of 37 countries in Europe in February, 1995. Given the stringent measures adopted by the Government of Pakistan, Pakistan may soon cease to be a country utilized as a major conduit for the export of drugs.

According to one estimate, about USD \$1 trillion is involved in the global narco-business, out of which at least USD \$ 200 billion is the share of the United States of America alone. This huge volume of money dwarfs any thing earned by legitimate means, leading the former U.N. Secretary General to say before the General Assembly, "Drugs are the most profitable commodity in the world today" affecting the

health of financial markets and even local economics. According to various estimates, not more than 5% to 15% of narcotic drugs and psychotropic substances are interdicted by the law enforcement agencies of the world. It is thus obvious that the drug interdiction enforcement strategy has failed to produce the desired results. It is estimated that 90% of narcotics slip through the net of enforcement agencies, and reach the drug market to meet the consumers demand.

III. INTERNATIONAL AWARENESS AND COMBATTING STRATEGIES

Due to the transnational nature of drug trafficking, it would be improper to think that it could be fought single handedly by any nation, no matter how developed it is. The international community as a whole has to embark on a crusade against drugs. The United Nations, being the sole representative institution in this respect has come forward on this issue due to the continuing drug menace. Drug trafficking, coupled with the resultant money laundering, forms the major portion of organized crime transnationally. Efforts made to curb organized crime are, therefore, mainly targeted at these two specialized crimes. The seventh congress on the Prevention of Crime and the Treatment of Offenders, held in Milan in 1985, adopted the "Milan Plan of Action". Key statements in that plan of action included:

"Crime is a major problem of national and, in some cases, international dimensions. Certain forms of crime can hamper the political, economic, social and cultural development of peoples and threaten human rights, fundamental freedoms, and peace, stability and security. In certain cases it demands a concerted response from the community of nations in reducing the opportunities to commit crime and address the relevant socio-economic

factors, such as poverty, inequality and unemployment. The universal forum of the United Nations has a significant role to play and its contribution to multilateral cooperation in this field should be made more affective”.

and:

“Interested Governments should cooperate bilaterally and multilaterally, to the fullest extent possible, with a view to strengthening crime prevention measures and the criminal justice process by undertaking action-oriented programmes and projects”.

In furtherance of the objectives of the Milan Plan of Action, in 1990 the eighth congress adopted four practically-oriented bilateral model treaties designed to assist states in building the necessary framework for increased co-operation. Those treaties, subsequently adopted by the United Nations General Assembly, are: the Model Treaty on the Transfer of Supervision of Offenders Who Have Been Conditionally Sentenced or Conditionally Released; the Model Treaty on the Transfer of Proceedings in Criminal Matters; the Model Treaty on Extradition; and the Model Treaty on Mutual Assistance in Criminal Matters.

The origins of international co-operation or mutual assistance in the suppression of crime date back to the beginnings of formal diplomacy. In what has been described as the oldest document in diplomatic history, provision was made for the return of criminals in a peace treaty entered into in (Circa 1280 BC) by Rameses II of Egypt and Prince Hattusili III of the Hittites. The need for mutual assistance, particularly in the granting of help in the provision of evidence to facilitate investigation and prosecution, has been recognized for some time by the international community. For example, the Single Convention on Narcotic Drugs 1961 imposed a number of

obligations on signatory states (Pakistan included as a signatory to it) to ensure that persons committing offenses could not escape justice. It required that each party make conduct proscribed by the Convention a criminal offense carrying an adequate penalty, and to try a person for such an offence committed outside territorial jurisdiction where the offender is found in that country's territory and there is no extradition.

1990 also saw the production of the final report of the Financial Action Task Force on Money Laundering set up by the Heads of State or Governments of the seven major industrial nations (the G7), in which 8 other nations were invited to participate. Another milestone was the adoption, by a plenipotentiaries conference on 20 December 1988, of the United Nations Convention, coming into force on 11 November 1990. The convention has broken new ground in number of respects. First, it creates an obligation on the part of all signatories (including Pakistan) to criminalise conduct constituting what may be loosely referred to as “money laundering” in relation to narcotics activity. This facilitates international cooperation which, due to the application of the dual criminality principle, is presently hampered by the fact that many countries do not at present criminalise such conduct.

Secondly, Article 6 dealing with extradition, imposes obligations on countries, inter alia, to conclude bilateral and multilateral agreements to carry out or to enhance the effectiveness of extradition and, in relation to the conduct proscribed by the Convention, to expedite extradition procedures and to simplify the attendant evidentiary requirements.

Finally, Article 5 deals comprehensively with identifying, tracing freezing and confiscating proceeds, or instrumentalities,

of conduct proscribed by the Convention and obliges countries to adopt such measures as are necessary to enable them to fulfill those obligations, both nationally and on behalf of other signatory states. It also adopts mutual assistance provisions for requests for action in relation to the proceeds of crime, and obliges countries to seek to conclude bilateral and multilateral treaties, agreements or arrangements to enhance the effectiveness of international co-operation in relation to the tracing, freezing and confiscating of proceeds of crime. The Convention also expressly prohibits a refusal of assistance based on bank secrecy. The principal reason for its emergence is the recognition that financial profit is the essential motivation of organized crime and that an effective countermeasure is the interdicting of such profits, which would otherwise be re-invested in further criminal enterprises. So seen, it is a significant deterrent and crime control mechanism. Furthermore, some countries utilize confiscate proceeds to strengthen the law enforcement armory and to finance, for example, rehabilitation programmes for drug addicts. Pakistan has already established for this purpose, a National Fund for control of Drug Abuse in accordance with the provision of the newly promulgated Control of Narcotics Substances Act, 1997.

IV. LEGISLATIVE MEASURES IN PAKISTAN

In line with the recommendations of the Convention against Illicit Trafficking in Narcotic Drugs & Psychotropic Substances 1988, Pakistan enacted comprehensive drug laws. A Control of Narcotic Substances Ordinance was promulgated in 1995. After some positive amendment, the ordinance became an Act of Parliament in 1997. (Control of Narcotic Substances Act (CNSA), 1997. Similarly through an Anti-Narcotics Force Ordinance 1995

(subsequently enacted in 1997, the Pakistan Narcotics Control Board and Anti Narcotics Task Force were merged into one Anti-Narcotics Force for more effective operation.

A. Salient Features of New Legislation

Before independence Pakistan inherited the Opium Act 1878 and Dangerous Drug Act 1930 which covered most of the drug related issues relevant to that time. However with the passage of time, these laws gradually became obsolete because of the new dimensions that emerged in drug trade. With the introduction of the Customs Act of 1969 and Prevention of Smuggling Act 1977, the unauthorized flow of drugs was somewhat controlled. To enhance punishment, Islamic laws were enacted by the Prohibition (Enforcement of Hadd) Order 1979. Enactment of the Control of Narcotic Substances Act 1997 (CNSA), being a comprehensive law, covered most of the lacunas which had developed in the existing laws due to technological and information based advances. Very briefly, the following are the salient features of the CNSA:

- (a) Progressive punishments from two years to death have been prescribed. For the first time, the intensity of punishment has been linked with the quantity and type of drug. Progression is well illustrated with the help of Table 1.
- (b) Money laundering has been declared as a distinct crime and stringent anti-money laundering provisions incorporated.
- (c) Comprehensive provisions for civil and criminal forfeiture of assets which are derived from the proceeds of drug trafficking.
- (d) Creation of special courts for speedy disposal of cases.

- (e) Compulsion to include public witnesses in narcotics seizures dispensed with.
- (f) No bail for offenses punishable with 5 years or more. For other offenses no bail if public prosecutor so certifies.
- (g) Controlled delivery operations legalized.
- (h) Comprehensive provisions to enhance international cooperation.
- (i) Provision for the registration of drug addicts.
- (j) First time detoxification and treatment made statutory obligation of Government.
- (k) National fund for drug abuse control set up.

In the past, drug laws were not applicable to Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA) but now the Islamic Hudood Laws have been extended to these areas. Frontier corps (a well organized force) have been empowered to perform enforcement duties in FATA where, previously, there was no such authority.

B. Enforcement Agencies

All of the above measures have resulted in activities entailing large seizures and interdictions. It is not out of place to mention here that the Anti-Narcotic Force (ANF) is not the only agency which takes action against drug pushers. Along with all the Provincial Governments, not less than five Federal ministries are, in some way or other, engaged in anti-narcotics activities. Details of agencies working in this respect are outlined in Table 2. The Anti Narcotics Force (ANF), however, is the primary enforcement agency. It coordinates the activities of all enforcement agencies in the field of interdiction. Important cases of other agencies are normally transferred to ANF

for specialized investigation. Assistance and advice to other enforcement agencies is also provided by ANF. It liaises with the INCB, UNDCP, DEA and DLOs for latest developments and information exchange. Apart from this, the ANF is rendering commendable services in reducing the demand for drugs. The new Master Plan gives priority to demand reduction activities, such as preventive education and mass awareness, besides making drug enforcement more effective. Drug addicts will be treated as psychotropic patients rather than criminals. Registration of drug addicts and their first-time treatment has been made a statutory obligation of the government.

C. Enforcement Statistics

The salient feature of the enforcement campaign in 1995 has been two deep drug interdiction raids undertaken by the Frontier Corps (FC) in Tribal Areas. The Frontier Corps in a swift/massive raid in the Khyber Area on January 27 and 28, 1995 seized 480 kgs of heroin, 170 tons of hashish and arrested 19 drug offenders. The above raid was followed by more stringent action deep in the Choor Valley, where FC/ANF seized 6,300 kgs of heroin, 105,000 kgs of opium and 3,705 liters of Acetic Anhydride in March 1995. In addition to the above, 15 heroin processing units were also destroyed. Similarly raids in December 1996 led to the destruction of 10 heroin laboratories and the seizure of 143 kgs heroin, 38 kgs hashish, 757 kgs opium and 1,754 litres of Acetic Anhydride. In March 1997, also the Tribal Lashkar destroyed a non functional heroin laboratory and seized 70 kgs of heroin, arresting 5 Afghans. The significance of this raid lies in the fact that the Tribals themselves took the initiative for destruction. Their self motivation is a development of monumental proportions.

Apart from these mentionable seizures,

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

other agencies have also remained active in drug hauls. The following figures recording seizures by all Agencies (in Tons) may be of interest:

	1994	1995	1996
Opium	14.36	107.233	7.377
Heroin	6.02	9.416	5.763
Hashish	178.29	294.525	189.136

Agency wise details are provided in Table 3 for the first 10 months of 1997.

A considerable reduction in seizures has been noticed after 1995, which is an indication that Pakistan has ceased to be a producing country. Drugs illegally imported from Afghanistan for domestic consumption and export to foreign countries are, however, intercepted regularly. Due to the stringent measures of enforcement agencies, Afghan drug traffickers are now diverting their illicit exports through Central Asian States instead of using Pakistan as transit conduit.

D. Two Recent Interesting Cases

The details of two interesting cases of drugs seizure are attached at Appendix A and B.

E. Seizure of Assets of Drug Barons

After years of international struggle, it has been concluded that only way to combat drugs is to control drug money laundering and to seize drug assets. In Pakistan, the concept of forfeiture of assets dates back to 1977 and our Prevention of Smuggling Act 1977, deals with it at length. Assets can be forfeited if acquired through the proceeds of the smuggling of narcotics. These assets could be in the name of the smuggler or any other person on their behalf. The law was also applicable to assets held outside Pakistan. The burden of proof was not on the prosecution, the onus was on the defendant. The seizure of

assets has become easier after the CNSA 1997, through which money laundering has also been made a criminal offence.

The Anti-Narcotics Force has frozen assets worth Rs. 3612.92 million (US \$ 82.1 million) of 60 notorious drug traffickers in the country. Prominent names among these drug traffickers are Mirza Iqbal Baig, Haji Ayub Afridi, Anwar Khattak, Ashraf Rana, Dawood Jat, Fahim Babar, Sardar Gujar and Munawar Manj. Out of these, assets worth \$181 million belonging to Haji Ayub Afridi have been forfeited under court decision. Dawood Jat, a notorious cross-country drugs smuggler, also surrendered recently due to relentless ANF pressure, and is now on bail.

F. Extradition of Drug Pushers

Pakistan extradited major drug barons like Haji Mirza Iqbal Baig, Muhammad Anwar Khattak, Tariq Butt, Khawaja Abdul Majeed, Hafeez-ur-Rehman, Zulqarnain Khan, Misai Khan, Khalid Khan, Taviz Khan, Shahid Hafeez Khawaja, Muhammad Saleem Malik and Main Muhammad Azam, while cases of others are being judicially scrutinized by the Interior Ministry. Haji Ayub Afridi also surrendered to the USA, in the UAE, due to ANF pressure. This was made possible only because Pakistan already had the effective Extradition Act 1972, long before the need was stressed in the UN convention against Illicit Trafficking in Narcotic Drugs & Psychotropic Substances 1988. Pakistan also has extradition treaties with 25 countries. Moreover extradition is permissible even to non-treaty states on a mutual basis. The present position of extraditions for drug traffickers is:

Extradited	14
Pending in courts	11
To be arrested	2
Total	27

G. Mutual Assistance Laws and Initiatives

It is true that the drug menace can not be tackled - because of its transformation into a transnational phenomena - without the mutual assistance of the affected countries. Simple exchange of information can lead to substantial success. Timely intimation from Drug Enforcement Agencies (DEAs) regarding the seizure of 6,660 kgs of hashish at Antwerp, Belgium, led to the further seizure of 5,980 kgs of hashish from Islamabad by the ANF. Details of the case are Appendix A and B. The UN convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances 1988, stressed the need for mutual assistance on a reciprocal basis. A model mutual assistance treaty was also adopted in 1990 by the UN General Assembly.

In pursuance of the 1988 Convention, Pakistan added a full chapter on mutual assistance in the Control of Narcotic Substances Act 1997 (refer to chapter VIII of the Act). In the presence of this substantive law, there is little need for treaties, however, friendly countries still enter into protocols for special assistance.

H. Recent International Initiatives Undertaken by Pakistan

- (a) UN International Drug Control Programme sponsored the PakIran Border Electronic Monitoring Project aimed at checking the flow of narcotics across the Pak-Iran border. Proposed to be extended to Afghan border.
- (b) Pak-India cooperation in drug related matters.
- (c) Memorandum of understanding with Kazakhstan.
- (d) Agreements to make joint efforts for control of drug trafficking have been signed with United Arab Emirates, China, Uzbekistan, Kyrgyzstan and Russia.

- (e) Agreements with Saudi Arabia may soon be signed.
- (f) Agreements envisaged with several other countries.
- (g) Two helicopters have been provided for the ANF by the UK, to augment drug interdiction in Baluchistan and the coastal areas of Sindh.

I. Controlled Deliveries

Besides the US Drug Enforcement Administration (DEA), the following Governments have posted their Drug Liaison Officers in Pakistan: Australia, Britain, Canada, France, Germany, Iran, Italy, Netherlands, Norway, Saudi Arabia and Turkey. Their main function is to exchange information expeditiously in respect to narcotics offenses committed by Pakistani nationals in their countries, where the narcotics originated from Pakistan or were transmitted through Pakistan. The Anti-Narcotics Force in either case provides a timely two way exchange of drug related intelligence and assists them in those investigations. Also controlled deliveries are being arranged with the cooperation of these Drug Liaison Officers, to eliminate international drug gangs operating in Pakistan or in their countries for the control of drug trafficking. The controlled delivery means the technique of allowing illicit or suspected consignments of narcotic drugs or psychotropic substances to pass out through or into the territory of one or more countries-with the knowledge and under the supervision of their competent authorities-with a view to identifying persons involved in the commission of offenses established in accordance with Article 3, Paragraph 1 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988. Therefore, in pursuance of the above, during 1996, 23 requests of controlled delivery operations were received from the following countries:

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

Australia (1), Canada (2), Germany (1), Kuwait (3), UK (13), & USA (3). A total 62 kilograms of heroin was exported through these operations. However, the results of only 2 controlled deliveries have been received. Those successfully culminated were in the United Kingdom, where 9 persons have reportedly been arrested. Other operations are under progress.

V. MONEY LAUNDERING

There has always been a parallel economy in Pakistan, whatever the financial system may be. We can call it a 'black economy', 'underground economy' or 'shadow economy' which challenges the regular financial channels. Changing values have created a lust for easy money which, of course, is often contrary to law. Money earned out of the (legal) systems cannot be declared as taxable, therefore it is either kept hidden or it is laundered to appear legitimate. 'Money laundering' covers all procedures to change the identity of ill-gotten money so that:

- (a) it appears to have originated from a legitimate source;
- (b) to conceal the true ownership and origin of the money; and
- (c) to put the proceeds beyond the reach of the authorities.

There is no one method of laundering money. Methods can range from the purchase and resale of a luxury item (e.g. a car or jewellery) to passing money through a complex international web of legitimate businesses and 'shell' companies. Initially however, as in the case of drug trafficking, the proceeds usually take the form of cash which needs to enter the financial system by some means. Street level purchases of drugs are almost always made with cash. Despite the variety of methods employed, the laundering process is accomplished in three stages which may

comprise of numerous transactions by the launderers that could alert a financial institution to criminal activity:

- (a) *Placement*: The physical disposal of cash proceeds derived from illegal activity.
- (b) *Layering*: Separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.
- (c) *Integration*: The provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundering proceeds back into the economy in such a way that they re-enter the financial system appearing as normal business funds.

These three basic steps may occur as separate and distinct phases or they may occur simultaneously or, more commonly, they may overlap.

Certain points of vulnerability have been identified in the laundering process, which the money launderer finds difficult to avoid, and where their activities are, therefore, more susceptible to being recognised:

- (a) entry of cash into the financial system;
- (b) cross-border flow of cash; and
- (c) transfers within and from the financial system.

Thus efforts to combat money laundering largely focus on those points in the process where the launderer's activities are more susceptible to recognition. These have therefore, concentrated to a large extent on the deposit taking procedures of banks and building societies in the placement stage.

A. Combatting the Menace

The U.S.A. was the first major country which initiated legislation in 1970 and began to plug some of the loopholes in the banking system. The Bank Secrecy Act of 1970 required all banks to report cash transactions of more than \$ 10,000 per day and demanded that all individuals taking more than \$ 5,000 in cash across borders, submit currency reports. Still, few banks took little more than passing notice of these new regulations, and some bankers were delighted to break large deposits into lots of \$9,900 to avoid the reporting requirements. It took 16 years for the U.S government to crack down on such avoidance. In 1986, Congress made it a separate federal crime to avoid the reporting requirements of the Bank Secrecy Act of 1970. Moving cash in and out of U.S banking institutions became an increasingly high-risk operation.

The International Convention (the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1988) seriously addressed the need to attack the international problem of drug money laundering and the forfeiture of drug assets. The international community resolved to deal with the problem in an effective manner with collective will and cooperation. A sound foundation for a viable international mechanism to grasp and control the increasing menace of drug money was laid. It mandated that all signatory States criminalize any activities connected with money laundering. Since 1990, when this Convention came into effect, a large number of countries have ratified the Convention. Many States have legislated new laws, or have amended the existing ones, and have introduced regulations to implement money laundering counter-measures. Some countries have gone a step further and adopted the recommendations made by the Financial Action Task Force

of the 'Group of Seven' which go beyond the scope of the 1988 Convention. Quite a few countries have enacted laws and have entered into treaties stipulating specific procedures to facilitate and promote mutual legal assistance, in accordance with the provisions of 1988 Convention Concerning Drug Trafficking, money laundering and assets forfeiture investigations. As a result of joint drug assets forfeiture efforts, countries like the U.S, Canada, U.K, Switzerland, Colombia, Venezuela, Paraguay, Guatemala, Costa Rica, Cayman Islands, Argentina, Egypt and Bahamas have shared the value of forfeited assets amounting to about USD \$87 million up to December 1993.

The United Nations International Drug Control Programme (UNDCP) in its 1997 over-view in the World Drug Report has observed the following trends/issues in money laundering:

- (a) The need to legitimize ill-gotten gains has grown in proportion to both the expansion of the illicit drug industry and to the propensity of criminals to operate in the legitimate business world.
- (b) Two trends have characterized money laundering in recent years. The first of these is the increasing professionalization of the industry. The internationalization of money laundering is the second major trend, and has been brought about by two factors: the integration of financial markets into a complex, global, entity; and the efforts by traffickers to avoid detection by concentrating operations in countries where enforcement is weak and legislation is absent or embryonic.
- (c) The above recent developments in national and international areas have created a favourable climate for drug traffickers, smugglers, tax

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

evaders and other corrupt elements to launder their ill-gotten proceeds increasingly through domestic formal and informal financial institutions. The magnitude of the problem indicates that the challenge is formidable, and the responsibilities immense, and it needs an all out effort from all affected fields to combat this menace. An integrated enforcement programme which embraces in its fold not only the arrest of traffickers and the interdiction of drugs, but also the confiscation of assets as well as an arrest of the growth of money laundering, thereby establishing integrity in financial institutions and the credibility of the economic system.

B. Pakistan Experience

In the past, some developments have created conditions which were conducive for money laundering in Pakistan. There was an exodus of a large number of Pakistani workers abroad in the early 1970s who, for sending their foreign remittances to their families, often relied on non-formal banking facilities or underground bank-like channels. Later, the same channels were used by businessmen and industrialists to take their capital/payment abroad due to strict foreign currency regulations; thus spawning a reliable, discreet and illegal alternate banking system which remained the preferred mode of banking for criminal elements in Pakistan.

As discussed earlier, large scale domestic heroin addiction created a booming market within Pakistan. A UNDCP study estimated the market volume at Rs. 35 billions (USD \$ 1.2 billion). Obviously, this black economy created a number of drug barons, who had to resort to money laundering for 'whitening' their wealth.

This process was further intensified when these drug barons joined hands with international syndicates and money laundering gained a transnational status. A UNDCP's report titled "The Illicit Opiate Industry of Pakistan" estimated the turn over of the Pakistan's heroin industry to be 5% of the 1992-3GDP and 20-25% of the total estimated 'shadow' or 'parallel' economy. The validity of the UNDCP's report estimates were later seriously questioned/contested by Pakistan authorities and economists. However one thing is very clear, that Pakistan's domestic heroin trade generates considerably large profits which are presumed to be laundered by criminals through formal and non-formal banking systems. The study estimates that drug export revenues were about USD\$ 950 million in 1985, and increased to USD\$ 1.6 billion in 1990. Drug earnings estimated in 1992 at USD\$ 1.8 billion include a significant amount of withdrawals from overseas bank deposits built up in previous years. Drug earnings averaged USD\$ 1.0 billion in the period 1985-91.

In late 1980s, Pakistan (like many other resource-deficient, developing countries) had to liberalize the economy through deregulation, to create a conducive environment of savings and investments. In this regard, the government of Pakistan promulgated the Economic Reforms Ordinance 1992 to attract foreign exchange held by its citizens abroad. Although this law was designed to attract illegally stashed foreign exchange back to Pakistan, this law provided protection to the source of foreign exchange accounts from being questioned by the tax authorities in Pakistan. However, law enforcement agencies could still investigate the source of such accounts in the case of reasonable suspicion of involvement of the account holder in drug trafficking.

C. Principal Sources of Illegal Proceeds

In Pakistan, the main sources of illegal proceeds are as follows:-

- (a) *Drug Trafficking*: As earlier mentioned, Pakistan has a very serious drug abuse problem which has spawned a large domestic drug market, accruing significantly large profits to the drug peddlers and drug barons. Mainly, it is the proceeds from the domestic heroin trade which forms the major part of money laundering in Pakistan. In addition to this, a considerable part of the drug proceeds must be coming from abroad to Pakistan, although most of it finds its way to various tax havens around the world.
- (b) *Smuggling of Contraband*: In Pakistan, despite its best efforts to root out the evil of smuggling, considerable smuggling of contraband still takes place. This usually includes luxury goods, electronic appliances, gun running and gold smuggling. The proceeds from smuggling are one of the major sources of black money in Pakistan.
- (c) *Organized Crime*: Organized Crime like gambling, counterfeiting, cheating, car theft, bank robbery and abduction for ransom are also sources of Pakistan's black economy.
- (d) *Criminal Malfeasance in Public and Private Sector*: Proceeds from corrupt practices, fraud or criminal misappropriation in the government/public, commercial, banking and corporate sectors also contribute to black economy of Pakistan.
- (e) *Evasion of Taxes and Duties*: The proceeds acquired by dishonest citizens/entrepreneurs by avoiding taxes and duties from various sectors of economy also contribute toward the black economy.

D. Principal Money Laundering Methods

The principal money laundering methods detected or suspected in Pakistan are as follows:

- (a) Hawala/Hundi.
- (b) Bearer Investment Schemes.
- (c) Investment and Speculation in Real Estate.
- (d) Expenditure on Luxury Goods.
- (e) Over/Under Invoicing of Imports and Exports.
- (f) Bogus Imports/Exports.
- (g) Loan Bank Methods.
- (h) Prize Bond Racketeering.
- (i) Smuggling of Currency.
- (j) Money Shown as Proceeds of Agriculture or Poultry.

Among these methods, 'Hawala' remains the preferred mode of money laundering in Pakistan. Users of Hawala services include non-resident Pakistanis working abroad, sending hard earned money to their families back home; parties indulging in criminal activities ranging from smuggling of contraband to all types of money laundering; and organizations having a nexus to terrorist activities. Obviously the objectives of these users are different, while legitimate in one case, criminal and even anti-state in others. Some of the reasons are:

- (a) In case of Pakistani expatriates sending money to Pakistan, the reasons include a time tested confidential system which is efficient and convenient for the parties at both ends. It hardly involves any formal documentation unlike the banking system, which becomes cumbersome for the semi or un-educated person. The "Hawala" dealer, like a good businessman, also offers a better rate of rupee conversion, being the difference of the official and the prevailing market rate, which may

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

range from 5-10% on account of higher demand of hard currencies. Yet another reason is the lack of banking facilities in the remote areas from where most of the Pakistani expatriates hail. Deregulation of foreign exchange controls since 1992 (after the introduction of Protection of Economic Reforms Act in Pakistan) have not affected the preference for the "Hawala" system on account of the aforementioned reasons against the formal banking system.

- (b) Criminal organizations prefer this system for laundering their money, as well as making payments to the concerned parties in Pakistan or abroad. Their preference is basically on account of the anonymity afforded by it due to little formal documentation involved, leaving no paper trail. Obviously the use of formal international banking systems for conducting illegal transactions/trading is fraught with great risks of being traced and connected to unlawful activities, even at a later stage. The "Hawala" system therefore suits the criminal/drug mafia not only for laundering their dirty money, but also for settling financial claims in connection with their illegal trading and smuggling, without running the risk of being detected. However, it is pertinent to mention that taking advantage of bank secrecy provisions, and the absence of suspicion/cash transactions reporting requirements in the past, resulted in drug traffickers also using formal banking channels for the transfer of funds. The "Hawala" operators, now, after the deregulation of foreign currency accounts by Pakistanis and the free movement of foreign exchange to/out of Pakistan without questioning, are taking full advantage of the change

in law and policy to promote their business. Without fear of being questioned, they are using foreign currency bank accounts opened in local banks to receive funds from interested parties, for payments to designated persons in Pakistan. Instances have come to notice where some authorized money changers, maintaining foreign currency accounts in their own names or some other person, have helped drug traffickers receive payments of drug money from abroad.

- (c) An other category of "Hawala" system users are the smugglers of consumer goods and arms dealers. On account of higher tariff rates on importable goods and restrictions imposed on the import of arms, the black market of smuggled goods keeps the demand for foreign exchange for payments abroad constantly at a higher pitch, thus making hard currencies more expensive in the currency market, as compared to the official sources.

E. Relationship Between Hawala System & Drug Trafficking/Gold Smuggling.

The Hawala bankers, in addition to large scale money transactions, are also indulging in gold smuggling. Reportedly, gold worth billions of dollars was being smuggled from UAE, Hong Kong and Singapore into Pakistan and India. Much of the smuggled gold through this system can be linked to narcotics trafficking. Subsequently, liberalization in the gold importation policy announced by the Government of Pakistan in the early 1990s was aimed at reducing the significant capital affiliated with the Undi or Hawala systems and to secure foreign exchange.

Presently, Dubai is the main centre for Middle Eastern and South Asian gold smuggling networks. Most of the gold imported in Dubai, comes from Swiss

Banks and metal dealers in London. The Hawala/Hundi systems facilitate the gold trade and smuggling activities in the Middle Eastern and South East Asian Regions. According to one estimate, 99 percent of gold purchased in Dubai is obtained through Hundi/Hawala transactions. It was also reported in an INTERPOL conference held in 1991, that if gold and silver smuggling in stopped, 80 to 90 percent Hundi/Hawala transactions would automatically cease. Moreover, Hundi/Hawala systems provide the hard currency to broker's need to finance gold purchases and smuggling operations.

F. Bearer Investment Schemes

The bearer investment schemes, introduced by the government in the last two decades, conveniently provided the opportunity for exploitation for money laundering purposes. These schemes are:

- (a) Bearer National Bond Fund (no longer operative).
- (b) Foreign Exchange Bearer Certificates (FEBC).
- (c) NIT Bearer Units.
- (d) WAPDA Bearer Bonds.
- (e) Bearer Certificates of Investment/Growth Certificates.
- (f) Bearer Certificates of Deposits.
- (g) Foreign Currency Bearer Certificates (FCBC).
- (h) Prize Bonds Schemes of various denominations for Rs. 50, 100, 500, 1000 and recently introduced Prize Bonds of Rs. 10,000 and 25,000.

The government was moping up some revenue from these beasrer investment schemes by imposing tax ranging from 1% to 7.5%, which may be described as the cost of laundering black money. Bearer bonds/certificates found in the possession of drug trafficker or their associates are still liable to forfeiture under the law.

G. Government of Pakistan's Measures to Control Money Laundering.

The Government of Pakistan, due to the worsening drug situation, has taken several legal, administrative and policy measures not only to counter money laundering but also to forfeit assets acquired through drug trafficking and the smuggling of contraband goods. In pursuance of the 1988 UN Convention, to which Pakistan was a signatory, the Control of Narcotics Substance Act (CNSA) 1997 (previously an ordinance of 1995) was promulgated, effectively putting an impediment on freely practiced money laundering, particularly for drug proceeds. It is the first time that money laundering has been declared a crime and the reporting of suspicious transactions by the banks and financial institutions has been made obligatory in this substantive law (refer sec. 67-69 of the Act). Section 67 (2) provides imprisonment for up to three (3) years if there is a failure to supply information. The State Bank of Pakistan (the Central Bank) has also issued the 'Required Prudential Instructions (1989) and Regulations (1992) to the banking sector. In contrast to USA laws there is no lower limit for reporting suspicious transactions, which eliminates the loophole of breaking the transactions in smaller parts. The State Bank has also agreed, in principal, to bring all types of financial institutions/corporate sectors, including money changers/stock markets, within the purview of money laundering laws and regulations. The State Bank has already issued guidelines to non-banking financial institutions for preventing their involvement in the money laundering activities of other unlawful trades.

Regarding money changers, it is relevant to mention that as part of exchange control reforms, Pakistani nationals and residents, Pakistani companies/firms have been granted licences to act as authorised money

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

changers (AMC). These licences are issued strictly in accordance with the procedure and conditions laid down by the State Bank. These conditions aim at making AMC's business transparent and for helping in identifying transactions.

Under section 12 and 13 of the CNSA, acquisition and possession of assets derived from narcotic offenses has been made punishable with up to 14 years of imprisonment, plus fine and forfeiture of drug money.

Although Pakistan is already extending legal assistance to requesting countries for carrying out investigations in the field of drug trafficking/money laundering, the Government of Pakistan, included in the CNS Act 1997 a separate chapter on mutual legal assistance. At the moment Pakistan has not yet entered into mutual legal assistance treaties with other countries.

In 1994, the Government of Pakistan discontinued Dollar Bearer Certificates in Europe and America for the primary reasons that these certificates could have been conveniently used for money laundering.

VI. CONCLUSION

From the above discussions it is clear that transnational organized crime can not be fought without developing transnational combatting strategies. That is why this issue has been taken up at the UN or international level. Numerous deliberations have resulted in the present state of awareness about this ever increasing menace. Still, the community of the world is lacking in its efforts to match the advancements being made by cross-country outlaws. We have already seen that the UN is just an advisory institution and can not interfere with the sovereignty of

States. Some recommendations made may be considered as such interference by some States, because of their own internal political and financial circumstances. However such states must consider that in the long run they might be the losers. Pakistan, as we have seen in previous section, has honoured its commitment to all the international conventions to which it is a signatory. Enactments/actions may have been a bit late, but these are still a step ahead of the international response. The following are worth mentioning in regard to Pakistan:

- (a) We have reduced poppy cultivation to almost "zero".
- (b) Due to the non-production of opium, Pakistan has become an importing (illicit) country to fulfil the demand of its 1.52 million addicts.
- (c) Effective crack downs by law enforcement agencies have compelled the change of route from Pakistan to the Central Asian States.
- (d) Punishments for drugs have been made harsher.
- (e) Pakistan is liberal in extraditions. We have Extradition Treaties with 25 countries, and extradition is still possible with non-treaty States.
- (f) Special emphasis has been placed on mutual assistance and particular provisions have been made in the substantive/procedural laws.
- (g) Laws for the forfeiture of ill-gotten assets are more effective than the required international standards.
- (h) Money laundering has been considered as a distinctive crime and legal provision and prudential regulations have been promulgated.
- (i) A fund has been established to rehabilitate drug addicts.
- (j) Anti-narcotics agencies have been strengthened, despite financial restraints.
- (k) Constitution of Special Courts for Drug Offences would go a long way

for speedy justice.

- (l) Promulgation of Control of Narcotics Substances Act 1997 would be a landmark in the control of drugs.

Despite all of the above steps, we still feel handicapped in our efforts to combat transnational organised crime. Decreased poppy production in Pakistan has been countered by a reciprocal increase in Afghanistan, which means that there is hardly any difference in supply (except the source). So we have to concentrate now on demand reduction. The National Fund for Drug Abuse Control has been set up, but due to financial restraints, the required results are difficult to achieve. International aid agencies should now take stock of the situation and sufficient funds should be provided to augment the Fund. A consortium may be established for coordinating aid programmes.

A sound foundation has been laid by the Vienna Convention of 1998 to build a viable international mechanism to control the large scale international money laundering of illicit drug traffickers, through preventive measures and enforcement by the forfeiture of drug assets. There is evidence that drug trafficking organizations frequently make use of territories of countries:

- (a) that are not parties to the international drug control treaties;
- (b) that have formally ratified conventions without implementing their provisions;
- (c) that suffer from civil war, terrorist activities, political instability, ethnic conflict, economic depression or social tension;
- (d) that are not in a position to ensure government control over some parts of their territories; and
- (e) that are not able to maintain adequate law enforcement, customs

and pharmaceutical control services.

Drug traffickers also seek out countries and territories with weak central banks, restrictive bank secrecy practices and limited control on foreign exchange.

Although there are many extradition treaties and mutual assistance agreements between different countries, there are still pockets where no extradition treaties exist, and the drug pushers make full use of this. Similarly, despite the adoption of model mutual assistance treaty by the UN, there has not been a sufficient response from the signatory countries.

The desired objective of completely stopping money laundering can not be achieved unless a further measure of requiring banking and financial institutions to examine the origin of a deposit, and commercial activity generating it, before it is accepted, is universally adopted. Illicit funds must be stopped before entering the international banking system.

VII. RECOMMENDATIONS

In the light of the discussion on problem areas, the following recommendations are made to effectively deal with international money laundering and the enforcement of forfeiture of drug assets:

- (a) There is need to educate and sensitize national governments to the evil effects of drug money and the universal need to combat it by the adoption of stringent counter measures through domestic policy on money laundering, as well as offering meaningful cooperation and assistance to a regulatory body (to be established, if not existing) and law enforcement agencies.
- (b) The issue of the lack of universal

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

adoption and enforcement of viable anti-money laundering provisions, contained in the UN Convention of 1988 and supplemented by the recommendations of Financial Action Task Force (FATF), must be seriously addressed by all affected nations of the world. A mechanism of pressurizing the non-signatory, as well as signatory but non conforming, countries through economic and financial sanctions should be developed and adhered to as a matter of policy under the umbrella of the United Nations. One such action could be black listing the defaulting nations/banks and withholding international loans/aid to them; in addition to stopping the handling of any transactions originating or passing through black listed nations whose banks are prepared to handle illegally accumulated funds. These pressures could be applied by the loan giving countries, with the blessing of the United Nations.

- (c) In order to ensure uniform and regular enforcement of various anti-money laundering provisions in the banking, financial and commercial sectors, there is need to create a true multi-national banking, financial and commercial regulatory body. This body should be empowered to inspect and ensure compliance of the various counter-money laundering provisions. Within each country also an effective central body comprising of banking experts, chartered accountants and law enforcement personnel should be charged with the responsibility of inspecting and ensuring the implementation of the various anti-money laundering provisions adopted under the local state laws.
- (d) Equally important is the pressure from the client countries and

important depositors in international banks, who must insist that they will not do business with institutions that fail to adhere to the new tough international reforms on examining money sources.

- (e) Law enforcement agencies operating in countries who are just beginning to initiate assets forfeiture investigation, under newly enacted legislation, lack the necessary expertise. Extensive training programmes covering intelligence gathering, financial investigation techniques involving local and foreign jurisdictions, and prosecution aspects must be initiated in cooperation with the UNDCP and other such international organizations. The launching of joint financial drug assets investigations by various national law enforcement agencies, for better cooperation and co-ordination to trace drug assets for forfeiture, could prove to be very rewarding, especially for the less experienced enforcement agencies.
- (f) Regular exchange of intelligence reports/data on transnational drug cartels, their modus operandi and their money laundering networks should be ensured.
- (g) An international fund of forfeited drug assets may be set up, which may receive fixed percentage of all forfeited assets from all concerned countries. This fund should be utilized to:
- develop well researched intelligence database on international drug trafficking and money laundering organizations, their assets, bank accounts and other relevant information on their criminal activities;
 - to set up an efficient communications network between

drug enforcement agencies in all countries, to enable them to make use of this database in their day to day operational work;

- to design and conduct various courses at the regional level for improving the professional skills of the intelligence, investigative and prosecution personnel of the law enforcement agencies.

APPENDIX A

CASE NO. 1 - RECOVERY OF 6660 KG HASHISH AT ANTWERP, BELGIUM (AUGUST, 1996) 5980 KG HASHISH AT ISLAMABAD (AUGUST, 1997)

In August 1996, customs officials of Belgium confiscated a container sent from Karachi containing household effects from which 6660 Kg hashish was recovered. The hashish was hidden in the personal luggage of an Egyptian diplomat, Muhammad Salah Sadiq, who was transferred from Islamabad. The luggage was being shifted to Switzerland, where the daughter of the diplomat was residing. The information was received by the Government of Pakistan through the Drug Enforcement Agency of USA. The Anti-Narcotics Force started the enquiry discreetly. It came to notice that the consignment was sent by one Kamran Gul, Managing Director of Total Cargo Company, Islamabad. On receiving the information of the hashish capture in Belgium, Kamran Gul registered a report in a Islamabad police station stating that the documents relating to the container were stolen and some other person, misusing those documents, shipped the container. Infact the report was registered by Kamran Gul to save himself. Kamran Gul had actually sent the hashish, after proper planning, taking advantage of diplomatic immunity. His gang was operating transnationally and the following persons were the members of his gang:

- i) Mehmat: He is a resident of Turkey and also holds citizenship of Holland. He was the financier of the gang. He came to Islamabad and stayed at the Holiday Inn Hotel where he settled the smuggling details.
- ii) Kamran Gul: He was the Managing Director of Total Cargo Company who, along with his two workers Gul Afsar Khan and Mohsin Khalid, arranged the packing and subsequent despatch through the company.
- iii) Muhammad Javed Baig: He belongs to Peshawar and procured the hashish from Afghanistan. He also arranged its safe transit from Afghanistan to Islamabad.
- iv) Arshad: He is a Pakistani and was living in Holland. He was the organizer of this narco-gang.

The Anti-Narcotics Force of Islamabad kept close watch on the activity of Kamran Gul secretly. It came to notice that Kamran Gul was again trying to despatch a large quantity of hashish in the personal effects of some diplomat. After 7 to 8 months of surveillance, 5980 kg hashish was recovered from his warehouse in Islamabad which was kept in 46 blue coloured plastic drums. The Anti-Narcotics Force registered the case and Kamran Gul, Gul Afsar and Mohsin Khalid were arrested. The case has been sent to court for prosecution, where it is still pending. Muhammad Javed Baig absconded, while requests have been made to Turkish and Dutch Governments for the arrest of Mehmat and Arshad. After the arrest of Kamran Gul it was disclosed that the hashish was brought from Afghanistan in the "Ilaqa Ghair" (Tribal Area), from where it was transported to Islamabad through a specially made oil-tanker. The hashish was kept in a warehouse for three months. The warehouse was obtained at a monthly rent of USD\$ 1000. The consignment was again

108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

shifted to another (lower rent) premises from where it was recovered.

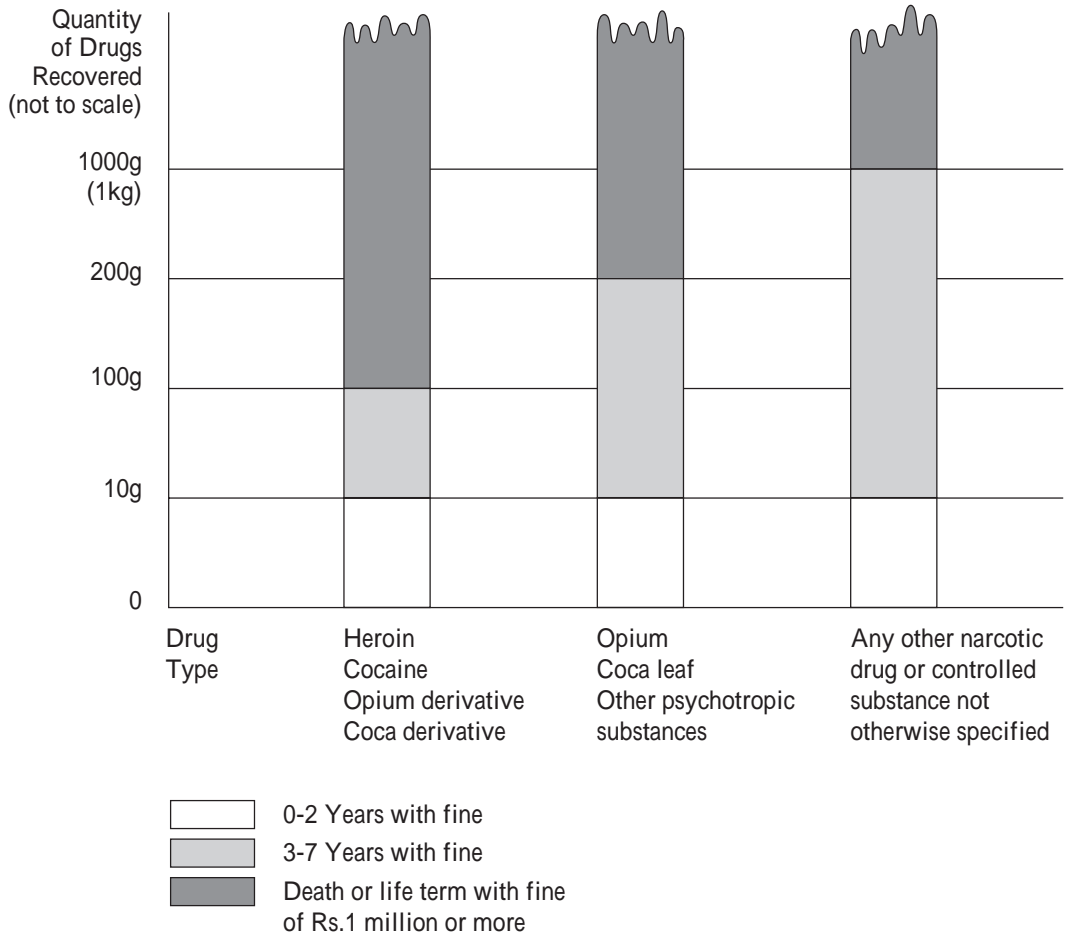
APPENDIX B

**CASE NO.2 - RECOVERY OF 26 KG
HEROIN FROM ISLAMABAD
INTERNATIONAL AIRPORT AND
HOLIDAY CROWN PLAZA HOTEL,
KARACHI**

The proverb "where there is will, there is a way" was proved right by the Anti-Narcotics Force when, in November 1996, 26 Kgs of heroin was seized from Islamabad International Airport and the Holiday Crown Plaza Hotel, Karachi. As a result of the seizure, three African nationals, belonging to the Sudan and Zaire, were arrested. The ring leader was a Sudanese national, based in Nairobi, by the name of Tariq Hji Idris. The others, a woman, Hullu Kyamuno and a man, Ali Kaita, were just carriers who were promised USD \$ 2000 for the successful trip, excluding hotel stay and air tickets. Mr Ali Kaita was traveling on a forged Zairian diplomatic passport and an interesting aspect was that the passport was in the name of a lady, Isankunya Fitila, which was written in French and the Immigration Officials at the Airport were not able to discern that it was a female name. Once Mr Ali Kaita arrived at Islamabad International Airport to fly to Karachi, he was accompanied by Tariq Haji Idris. When Tariq Hji Idris sensed danger, he left Ali Kaita and boarded the flight for Karachi. Later 13 Kgs of Heroin was recovered from the suitcase of Ali Kaita. Ms Hullu who had come to airport earlier, successfully boarded the aircraft along with the drugs. Ali Kaita was interrogated on the spot and he disclosed that Tariq Haji Idris had given him two suitcases and he did not know what was in it. On this information, the ANF and ASF (Karachi) were alerted. The moment Tariq Haji landed at Karachi Airport he was taken

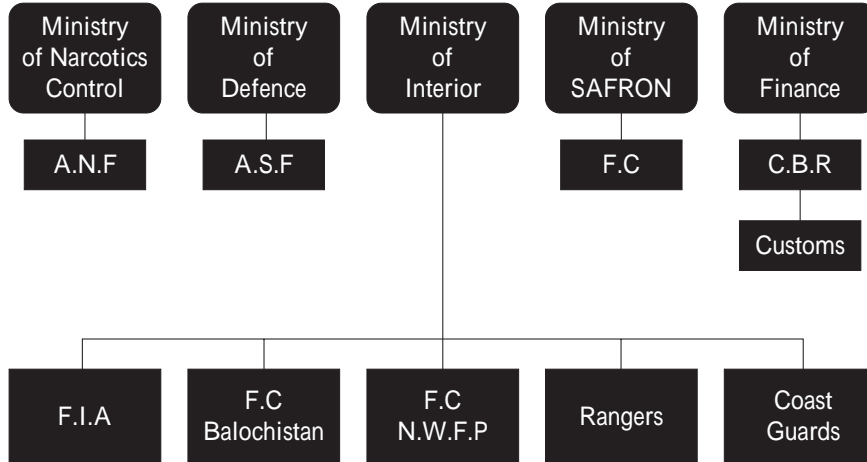
into custody by ASF and handed over to ANF Karach. Search of his person led to the recovery of USD\$ 22,000. By then, ANF Karachi and ANF Islamabad had no knowledge of Ms Hullu being third member of the gang. Mr Tariq Haji was later brought to ANF Islamabad for interrogation. It was during the course of interrogation that Ali Kaita and Tariq Haji disclosed information about Ms Hullu being their third partner. It was too late to arrest Ms Hullu as quite some time had lapsed in the interrogation process, and it was expected that Ms Hullu, along with the drugs, must have left the country. Anyway, an effort was made by ANF to trace her and an officer was sent to Karachi to find Ms Hullu. While going through the FIA immigration record, it was learnt that Ms Hullu had left the country a few days prior. The investigating officers traced the last address of Ms Hullu in Pakistan, which was the Holiday Crown Plaza Hotel, Karachi. On reaching the Hotel it was found that the woman left behind two large suitcases and had told the Hotel Administration that she would be returning to collect them later. The two suitcases were taken into custody and broke open by ANF officers in the presence of the Hotel staff, and another 13 Kgs of Heroin was found. The hotel staff were instructed to inform ANF whenever someone came and asked for the suitcases. Suddenly, after a few weeks, the Hotel staff found Ms Hullu asking for suitcases. She had come back from Nairobi, along with her boyfriend, to get them. She was arrested and sent to jail. The boyfriend however, was not found to be involved in the drugs business and was therefore released.

TABLE 1
PROGRESSIVE PUNISHMENTS ACCORDING TO THE CONTROL OF NARCOTICS SUBSTANCES ACT 1997.

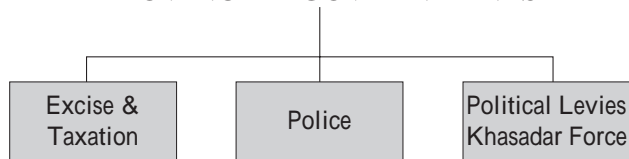


108TH INTERNATIONAL SEMINAR
PARTICIPANTS' PAPERS

TABLE 2
GOVERNMENT OF PAKISTAN



PROVINCIAL GOVERNMENTS



- | | |
|---------|--------------------------------------|
| A.S.F | Airport Security Force |
| A.N.F | Anti Narcotics Force |
| C.B.R | Central Board of Revenue |
| F.C | Frontier Constabulary/Frontier Corps |
| F.I.A | Federal Investigation Agency |
| N.W.F.P | North West Frontier Province |
| SAFRON | States & Frontier Regions |

TABLE 3
ANTI NARCOTICS FORCE STATEMENT SHOWING NARCOTICS SEIZURES
WITHIN PAKISTAN FROM PERIOD 01/01/97 TO 31/10/97

AGENCIES	OPIUM			HEROIN			CHARAS			BHANG			OTHERS		
	No. of Cases	Qty. Seized	No. of Defend.	No. of Cases	Qty. Seized	No. of Defend.	No. of Cases	Qty. Seized	No. of Defend.	No. of Cases	Qty. Seized	No. of Defend.	No. of Cases	Qty. Seized	No. of Defend.
A.N.F	30	27	1033,795	119	163	868,422	123	179	21802,463	1	1	5,000	0	0	0,000
A.S.F.	0	0	0,000	10	10	150,773	6	6	1,785	0	0	0,000	0	0	0,000
BALUCHISTAN F. CORPS	12	1	3114,300	14	2	782,230	17	3	2239,075	0	0	0,000	0	0	0,000
COASTAL GUARDS	8	11	167,552	8	10	75,707	16	14	4217,800	0	0	0,000	0	0	0,000
CUSTOMS	2	4	261,100	318	102	495,324	18	29	39485,790	0	0	0,000	0	0	0,000
EXCISE	254	251	187,349	1045	1047	140,151	822	832	4807,962	11	12	1208,805	0	0	0,000
ISB.POLICE	3	2	1,045	13	14	3,333	32	37	34,963	0	0	0,000	0	0	0,000
N.W.F.P. CORPS	0	0	0,000	1	1	36,600	0	0	0,000	0	0	0,000	0	0	0,000
POLITICAL AUTHORITIES	1	0	16,000	1	5	60,000	0	0	0,000	0	0	0,000	0	0	0,000
POLICE	1590	1656	1619,841	10331	10475	801,019	20746	20870	19633,965	99	107	2254,260	347	351	14660,00
PUNJAB RANGERS	0	0	0,000	1	1	0,030	0	0	0,000	0	0	0,000	0	0	0,000
RAILWAYS POLICE	36	41	10,816	108	108	20,830	178	100	71,434	16	16	326,000	0	0	0,000
SINDH RANGERS	1	5	6,250	1	2	0,500	3	3	27,300	0	0	0,000	0	0	0,000
Total	1937	1998	6448,048	11972	11942	413,859	121961	22122	92322,537	127	136	3794,065	347	351	14660,00

QTY. in Kgs./Nos.