of Proceeds Act to conform more fully with the Financial Action Task Force recommendations and the UN Convention.

There is a bilateral narcotics agreement, which facilitates asset freezing and asset forfeiture. The Hong Kong Government and the USG have worked closely together on U.S. extradition requests, although there is some concern that overly strict application of Hong Kong evidentiary requirements has made extradition difficult in some cases. Overall bilateral cooperation on drug enforcement efforts is very good.

## India

India is the world's largest producer of licit opium and the largest supplier to the U.S. pharmaceutical industry. Opium is diverted from legal production, and there is substantial illicit opium cultivation in certain districts. India is also a transit route for heroin from nearby producing countries, and an exporter of methaqualone and heroin precursor chemicals en route to the Middle East, Africa, Europe and North America.

As a licit producer of opium, India must meet an additional certification requirement. In accordance with Section 490(c) of the Foreign Assistance Act, it must maintain licit production and stockpiles at levels no higher than those consistent with licit market demand and take adequate steps to prevent significant diversion of its licit cultivation and production into illicit markets and to prevent illicit cultivation and production.

The United States and India conducted an intensive dialogue on narcotics issues, with meetings of a Joint Working Group and a 1994 visit by Dr. Lee Brown. With U.S. encouragement, India maintained during 1994 a promising narcotics dialogue with Pakistan on cross-border smuggling of heroin and precursor chemicals, despite poor bilateral relations in other areas.

Over the past several years, the Government of India (GOI) has taken steps to reduce licit opium stockpiles and the potential for diversion of licit opium to the illicit market. The total area licensed for cultivation was kept at about 14,000 hectares (ha) in the 1993/4 crop season and physical controls on harvested opium were enhanced. In 1994, in the course of taking the first physical inventory in many years, it became clear that real stocks on hand were far lower (by 800 metric tons) than official inventories and that supplies were insufficient to fulfill 1994 contractual requirements. An International Narcotics Control Board audit described the failure to have maintained adequate inventory records as a violation of the 1961 Single Convention on Narcotics Drugs. No adequate accounting of several hundred tons of the discrepancy between book stocks and real stocks has been made. New storage and accounting controls put into place in 1994 should reduce potential for diversion from licit stocks.

To combat large-scale diversion by growers, the GOI has slowly increased minimum qualifying yields (MQY) on licensed growers. MQY was raised from 40 kg per ha to 43 kg/ha for the 1994/5 growing season. An unreleased GOI crop survey reportedly suggests that MQY could be raised by a substantially greater amount. The United States raised with India the need for a scientific crop yield survey in the near future so that MQY can be raised to a level high enough to prevent substantial diversion to the illicit market.

To cope with the 1994 opium shortfall and rebuild an appropriate reserve stockpile, the GOI decided in 1994/5 to expand the cultivated area to about 24,000 hectares, but to improve security by concentrating production in a more limited region, granting additional hectarage to farmers with a history of high yields, and delicensing some 40,000 farmers whose opium deliveries to the GOI fell below the MQY. This expansion in cultivated area raises concern about the potential for increased diversion.

The Government of India cooperates well with the United States on individual cases of trafficking. There has been little success, however, in cracking major smuggling rings, pointing up a continuing lack of resources and personnel, including lack of intelligence-gathering capability and high-level political