

# Commentary: Vanda Felbab-Brown on Organized Crime, Illicit Drugs and Terrorism- What are the linkages?

During ECADs 25<sup>th</sup> Mayors Forum and the 6<sup>th</sup> World Forum Against Drugs in Gothenburg more than 60 speakers discussed topics related to the production, trafficking and consumption of illicit drugs to a 400 head large audience. One of our prominent speakers, Dr Vanda Felbab-Brown, Senior Fellow at the Brookings Institute, presented her findings from international research on conflict areas, insurgencies, terrorism and organized crime to give an overview of the relationship between Organized Crime, Illicit Drugs and Terrorism.

## Abstract

Illicit drug production in weak states have enriched guerrillas, militias, organized crime groups, terrorist groups and corrupt governments alike. Violence, corruption and insecurity threaten the integrity and legitimacy of governments and their institutions.

Yet, it is not so easy as to equate tough drug control with increased levels of violence. The illicit drug trade is more violent in some parts of the world than others. What are the linkages between organized crime, drug trade and terrorism? What blame can be attributed to the so-called war on drugs and how should the vicious cycle of state fragility, conflict and weak rule of law be turned into a virtuous cycle of increased security and development?

What follows is a summary compiled by ECAD Secretary General who moderated the event. Any mistakes in the text or discrepancies to what Vanda said shall be attributed to him. Vandas speech can be viewed on Youtube at: <https://www.youtube.com/watch?v=uIE7E1KjnYc>

## Vanda Felbab-Brown

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## Introduction

The focus on organized crime and illicit economies and particularly the nexus between drugs and terrorism is not new. Many of these issues are decades old but our focus and attention to them have increased after 9/11 as it became obvious that belligerent groups such as the Taliban in Afghanistan or the Islamic State in Iraq and Syria derived multiple benefits from participating in illegal economies, in particular the drug trade.

The drug trade tends to be one of the most lucrative trades in the illicit economies, but it is far from the only trade. In addition to fuelling conflict and enabling the expansion of conflict and the entrenchment of belligerent groups there was also recognition over the last decade and a half that illicit economies have profound effects on post conflict environments. They significantly complicate post conflict stabilisation and reconstruction efforts in countries that have emerged out of civil war. Places such as Haiti or Guatemala are examples.

During recent years we tend to see more domains classified as illegal. Illegal logging and extraction of minerals have for a long-time fuelled conflict, but it is only during recent decades we have developed concepts such as conflict diamonds or considered some forms of logging as illegal.

These phenomena have been known for quite some time. Illicit economies are not only the domains of non-state actors and terrorists but also of states who often have highly intimate knowledge of organized crime and sometimes exploit organized crime and illicit economies for their own purposes.

Many policy interventions to combat organized crime and illicit economies have not been highly effective. In some cases, they produce side effects such as human rights violation or fails to mitigate violence. In other cases, they fail to address, or can be outright counterproductive to, their primary objectives such as the suppression of drug production.

Illicit economies effects on societies are highly complex. They produce both threats and benefits to states and to their populations including the most vulnerable population segments. Therefore, designing effective counter measures are difficult.

Large populations around the world in areas of inadequate or insignificant state presence, poverty and social and political marginalization, continue to be dependent on the drug trade and other illegal economies for their basic economic survival and satisfaction of their economic needs. For many, participation in illegal economies is the only way to achieve livelihood, justice and social advancement despite the risk of being trapped in a nexus of insecurity, criminality and marginalization. Hundreds of millions of people around the world participate in illegal economies.

When designing state interventions or external assistance to governments it is crucial to stop thinking about crime, including the drug trade, as merely an aberrant social activity to be suppressed but as a competition in state making. In areas of state weakness and under provision of public goods an effective state strategy towards organized crime and drug trade should therefore contain elements of state building and seek to bond populations with the state. It is not merely a policy of crime fighting. The targets of counter narcotics and organized crime fighting strategies must go beyond the suppression of symptoms of illegality or state weakness such as the production of drug crops or smuggling.

The drug trade must be reduced from a national security concern to a public safety problem in a way that strengthens the bonds between local population and the state and does not further increase marginalization and alienation of populations from the state.

## The threats from the drug trade to states

There are a number of areas in which the drug trade pose threat to states.

### Political integrity and good governance

The drug trade can provide avenues for criminal organizations and corrupt politicians to enter the political space and thus undermine democratic processes, if such existed in the first place. Actors participating in the drug trade have superior financial resources and can derive political capital by sponsoring livelihoods of poor marginalized people. One way for drug traffickers to protect their illegal business is to enter politics. Conversely, political actors in countries with weak governance can gain support from participating in criminality.

As cocaine smuggling moved to West Africa it rapidly swept through the political system of countries there and permeated the politicians, and institutions such as the police and military. When the whole political system becomes interlinked with criminality, the legitimacy of the system becomes subverted. A good example is Colombia in the 2000s when it became apparent that right wing paramilitary groups who were also deeply involved in drug trafficking came to control 1/3 of the Colombian congress. They used this control not simply to preserve their economic interest in the drug trade but also to usurp resources from other domains of the state including state transfer to municipalities.

### Judicial system and the rule of law

“If you want to successfully commit crime make sure many people commit the crime along with you”

As drug trade and other forms of crime becomes more pervasive the investigative capacity of law enforcement diminishes. The greater the prevalence of crime the more impunity rises and it becomes easier to get away with criminality. One of the worst examples is Mexico where it its quite easy to get away with murder. Effective prosecution rates for homicide is only 2 %.

The scale of the problem makes it very hard for law enforcement to investigate and it also hollows out the deterrence capacity of rule of law. Traffickers turn to violence and corruption to deter and avoid prosecution. In worst case, judges and prosecutors can be murdered. Colombia in the 1980's, Italy in the 1970's and 1980's and Mexico in present times are examples of this.

Government efforts to suppress the production of illegal drugs can also lead to violations of human rights by anti-narcotic forces and militaries. The extent of human rights violation, including violent deaths of those who grow drug crops can be very large and drive violence. Myanmar during the early 2000s or Colombia, Peru and Bolivia are examples of this.

Conversely however, while the detrimental effects of intense criminality and large-scale illicit economies, such as large-scale drug production, on political processes are apparent, it is often an inappropriate leap of analysis to assume that the emergence of organized crime or the existence of extensive illicit economies will always challenge the stability of governments and threaten the power of existing ruling elites. The extent to which that happens is very much a function of pre-existing institutional capacity and strength as well as to the extent to which drug traffickers make alliances with internal outsiders or governments elites. Again, the emergence of cocaine smuggling through West Africa tapped into massive pre-existing smuggling networks. On the one hand it strengthened some governments and political elites, at least on the individual level, by allowing them to gain significant political and financial benefits from sponsoring the illegal trade. But on the other hand, it hollowed out the integrity of crucial institutions such as for example the military in Mali.

A symbiosis between ruling elites and external drug traffickers may well develop and extend the life length of undesirable governments. The most prominent example is the North Korean regime which is the master of many illicit economies, such as drug trade, counterfeits and wild life trafficking. Myanmar in the 1990's and the 2000 is another example in which the Junta consolidated its power by participating in a variety of illegal economies.

### Economic system

Illegal economies have extensive and complex economic effects. Drug cultivation and processing generates employment for rural poor populations as the growing of coca or poppy can involve hundreds of thousands of people. Participation in illicit economies may be their only realistic chance to meet basic needs. Access to primitive health care services, the ability to invest in farming equipment such as a water pumps or the possibility to send some of the farmers children to school can be the result of their participation in illegal economies. When drug suppression is successful these people's food security may be endangered.

However, illegal economies also have complex negative economic effects. One typical phenomenon such as extensive drug trafficking and influx of dollars (most trade is done in dollars) can produce rapid inflation, and speculation and thus a spike in real estate prices which pushes up the price of lands. Although economic survival for poor farmers is linked to them cultivating drug crops they often lose out the capacity to buy land themselves and must resort to trade drug crops for rent of land. This situation is typical in rural Afghanistan in which land owners extract rents in opium poppy rather than the afghan currency, which is less reliable.

Illegal economies can also crowd out legal and legitimate economic activities. Illicit economies, such as the drug trade, can lead to the Dutch disease phenomena when a boom in one sector lead to an appreciation in the costs for labour and land and thus drives out other economic activities. The greater the size of the illicit economy the harder it is for a legal economy to take off. But the effects are very complex. The dollars that the drug trade brings generate spill over effects that also benefits other legal economic activities and consumption of legal goods and services. The establishments of hotels and restaurants along drug trafficking routes are some examples.

### Environment

The presence of the drug trade can significantly harm the environment. In Yemen, the cultivation of Kat crops, which are very water consuming, depletes water resources. Yemen is already a very water scarce country. In the Andean countries the production of coca leads to deforestation of the rain forests. Eradication pushes cultivation to areas under tree cover.

### Security and violence

The presence of large scale drug trade and cultivation can have very significant effects on the security of the state. In the context of violent conflict, insurgency and terrorism the security threats can be so grave that the survival of the state itself is in question. The nexus between drugs and terrorism significantly fuels conflict. But even in areas which does not have pre-existing violent political conflicts the drug trade can be extremely violent, such as for example in Mexico and in Central America. But only under some circumstances. Extraordinary violence levels (especially homicide levels) that topple the scale of civil wars exist in Mexico. In last year (2017) almost 30 000 homicides were committed. Most of them were related to the drug trade and the cartels. That's more deaths than what occurred in Afghanistan that year.

However not all of this is a result of the drug trade. Many attributes these high levels of violence to the drug trade, but in fact the drug trade is not always violent. Despite the fact that drug production, trafficking and consumption is at the same levels or even larger in South East Asia, violence levels are much lower there than in Central America. Drug trafficking groups in that part of the world are most often not violent, except for in Myanmar. There is something else than simply the presence of drug trade, that drives violence in Central America but not in South East Asia. That something else is related to institutional weakness.

In South East Asia, we do see very significant violence but that is attributed to actions of the state and drug control, as for example the extrajudicial killings carried out by the military and police in the Philippines under president Duterte to suppress criminality and the drug trade there. The violence is in this case often instigated by the state and not a result from the criminal market per se.

Let us now return to the nexus of terrorism, belligerency and conflict in places where there is political conflict and where insurgents interact with drugs. What happens when insurgency- and terrorist groups sponsor the drug trade? A number of examples are the Shining Path in Peru, the Taliban in Afghanistan and in Pakistan, ISIS involvement in Captagon trafficking, the now demobilized paramilitaries in Colombia or the leftist FARC guerrilla.

When belligerent groups penetrate the drug trade they get access to lots of money. It is notoriously difficult to estimate the size of illegal economies and the profits that these groups derive from them, but a reasonable guess is that competent groups operating in areas with extensive drug trade can make at least tens of millions of dollars annually.

With this money the group can extend its military capacity. It can pay salaries to its soldiers and their families and buy weapons. Without drug money the groups need to engage in more time consuming and unreliable sources of income, such as bank robberies, extortions or kidnappings to preserve their military capacity. The ability to sponsor the drug trade resolves many logistical difficulties and awards insurgency and terrorist groups a greater freedom of action.

## The siren song of crop eradication

It is tempting for the state to think that if we eradicate crops and destroy the drug economy we will bankrupt the terrorist groups and conflict will end. This is the siren song that underpinned many counter narcotic policies in the United States for several decades and drove programs such as Plan Colombia and which have been embraced by many governments. This is the siren song of the drug conflict nexus that has not panned out anywhere in the world.

There has not been one place where the state or its international sponsors have won against insurgency or terrorist group by bankrupting them through suppression of the drug trade. Not even in Colombia. Why is this? There are 2 reasons. The first reason is that belligerent groups have a variety of financial means at their disposal. The more mature and sophisticated the group is the more its economic portfolio is diversified.

The Taliban does not simply tax the opium economy in Afghanistan but any economic activity in areas where they operate. At the height of US/NATO military involvement in Afghanistan, where there were 100 000 – 150 000 foreign troops in the country, the biggest source of Taliban income was not the thriving opium trade but the taxation of NATO trucks. The Taliban was extorting the logistical companies that provided security for NATO trucks. The Taliban taxed international aid coming to Afghanistan or simply anything they can in areas in which they have influence in. This is what belligerent groups do. They adapt to changes in profitability in the criminal and legal markets

and switch to what is most attractive. At the height of eradication in Colombia when a temporary suppression of coca crops was achieved, the FARC and the Bundos Criminales switched their focus to illegal logging and illegal gold mining and pretty much preserved their income. It did not significantly weaken them.

Drug farmers also have a variety of means to adapt to eradication. They can hide their drug crops between legal crops or in forests, replant after eradication, develop crops more resistant to eradication, rotate crops and cultivate crops on a three-way basis or more to ensure they get to keep some of them. When eradication drives farmers into debt they often need to adapt by growing even more drug crops as payment to debtors.

The second reason why drug eradication has not led to the demise of one significant terrorist group and not ended conflict is the political capital these groups derive from sponsoring the drug crop production. A crucial reason why the Taliban enjoy such strong support and legitimacy still in Afghanistan is that they protect the poppy crops from eradication from government and outside forces.

Several factors influence the scope of this political capital. The first one is the state of the overall economy and the local populations dependency on jobs in the illicit markets. If the economy is rich and there are ample of legal jobs to be had there is no big need for employment in the illicit drug economy. The Irish Republican Army's involvement in the drug trade backfired in the 1980's and the 1990s. The local population in Northern Ireland was not dependent on the drug trade and they suffered the negative consequences of trafficking and addiction. The local population mobilized against this and consequently most of the IRA went out of the drug business and instead became an enforcer against drug distribution in Northern Ireland. This situation is not typical however since most drug production takes place in poor areas.

The second factor that influences the scope of a belligerent groups political capital is the character of the drug trade. The more people needed for production, the greater the political capital derived from sponsoring the production. Consider the difference between plant-based drugs which involve hundreds of thousands of people from the production of purely synthetic drugs which might only require tens of people. The more labour intensive the production is the greater political capital from supporting the trade.

The third factor is whether traffickers are independent of belligerents or not. Belligerents face strategic choices. They almost never invent an illegal economy but encounter it and live with it and eventually they try to tax it. In doing so they can establish quite hostile relations with local traffickers who does not like to see a chunk of their income taken away from them. The relationship can be quite conflictual unless the state because of interdiction or eradication pushes them together. Terrorist can get quite greedy and eradicate traffickers to gain total control over the illicit economy. By doing so they lose political capital by alienating themselves from the local population and can no longer act as protectors of the local population from abuses by traffickers.

The most significant factor is what the state does towards the illegal economy. To what extent does the state move in to eradicate the illegal economy tempted by the siren song of depriving the belligerents of their funding? Such moves will often hurt its counter insurgency and anti-terrorist efforts. It fails in its chief goal of reducing financial support of the groups for reasons listed above and it strengthens the local populations dependency on insurgents and their unwillingness to share intelligence and with counter insurgency forces. As a result, belligerent groups become more entrenched.

## The appropriate state response to illegal economies

We must stop thinking about illegal drug production and crime more broadly as merely adherent social activity to be suppressed. We should instead think about it in context of weak governance and competition in state making. This does not only apply to places such as Afghanistan or remote parts of Colombia but also to urban slums in Western Europe or in the United States.

In strong states that effectively address the needs of their society the non-state entities cannot outcompete the state on large scale. However, in areas of socio-political marginalization and poverty non-state actors, including traffickers, belligerents and terrorists often provide greater socioeconomic benefits by sponsoring the illegal economy than the state does. The activity of the state can be outright pernicious to local populations

A state response that during these circumstances simply focuses on greater eradication of drug crops, criminalizes large segments of the population or saturates whole areas with law enforcement officers often fails to suppress organized crime and belligerency. In fact, such policies often end up counterproductive.

An appropriate response is a multi-faceted state building effort that seeks to bond marginalized populations with the state. It is not merely a policy of crime fighting. The goals of supply side counter narcotics strategies must go beyond the suppression of symptoms of illegality and state weakness, such as the production of drug crops or smuggling, and reduce the threat from the illicit drug trade from a national security concern to a public safety concern. This requires a multifaceted analysis of why local populations turn to illegalities including law enforcement efficiencies and physical insecurity as well as poverty and economic- and social marginalization.

### Development first – eradication later

To reverse the trend in most cases a complex set of developmental policies in rural and/or urban areas where appropriate need to be implemented before drug suppression can be initiated. One of the most successful cases of drug suppression (Thailand) was preceded by years of rural development efforts. More broadly, the creation of legal jobs is almost always a part of the solution but is often hard to accomplish. All structural drivers of why communities participate in the illegal economy need to be addressed. Access to markets, deficiencies in irrigation, access to microcredits, establishments of value added chains, development of human capital instead of just chasing the replacement crop are some examples.

What is crucial is that states are willing to concentrate developmental and law enforcement resources to particular areas. This can be hard in democracies as the resource requirements are enormous. Instead of focusing resources to certain areas democracies tend to spread out resources somewhat evenly (essentially handouts) which seldom manages to address the structural drivers of the illegal economies in problematic areas. Concentrating resources and expanding the areas of coverage is crucial but very hard to accomplish for political reasons.

### Address street crimes

Successful policies often entail other components such as addressing street crime which are more problematic for local populations than transactional crimes such as drug trafficking. The attention of the international donors is predominantly on transactional crimes, yet which are often seen as legitimate by the local populations. Both the state and international donors are quite often oblivious to street crimes which significantly intensifies the reasons why local populations participate in transactional crimes.

It also gives criminals and belligerents the capacity to enhance their political legitimacy by themselves acting out against street crimes such as robberies. Gangs in the favelas in Rio de Janeiro which are on the one hand a source of tremendous violence and distributor of drugs are on the other hand intervening against robberies, rapes and other forms of street crimes. They can provide legal dispute and justice mechanisms to the community. That rough and imperfect justice mechanism is often better than no access to justice or an, in some cases, corrupt justice mechanism offered by the state.

**Question:** **The non-relationship between drug eradication and the military strength of the FARC in Colombia and the Shining Path in Peru as well as the Taliban in Afghanistan was put into question by Dr. Thomas Pietschmann from the UNODC.** Dr Pietschmann pointed out that in Peru almost no coca cultivation exists, and the Shining Paths influence is broken. In Colombia, at least before 2013 coca eradication seemed to coincide with a decrease in military power of the FARC. In Afghanistan in recent years, an increase in opium cultivation seemed to lead to more attacks by the Taliban in the same period. A discussion on each three cases followed.

**Answer:**

It is difficult to disentangle the multiple factors leading to changes in those places.

#### Colombia

It is correct that the FARC was significantly militarily weakened from 2000's and onwards. This was not so much the result from coca eradication but because of an increase in the Colombian military potency. The Colombian military in the 1990's could essentially not tie its own shoelaces with few fighting soldiers and weak intelligence. Colombia at that time relied heavily on paramilitaries to fight the FARC.

After a decade of US assistance to the Colombian military (Plan Colombia) the Colombian military became a much more potent fighting force and was able to challenge the FARC. From 2008 the military battlefield became stalled and neither side had an advantage. Coca numbers started to rise again. Since neither side had an advantage they started secret talks of peace in 2011-2012 which became formal later.

#### Peru

The Peruvian story is very interesting. The Peruvian state had shifted between coca eradication and letting up on coca eradication between 1980 and 1983. Each time when they started significant eradication the Shining Path gained support in rural areas. What allowed the Peruvian state to defeat the Shining Path in rural areas in 1990-1991 was giving up on eradication all together. They launched aggressive hearts and minds campaigns and struck deals with traffickers and set up local militias consisting of cocaleros (coca producers). The cocaleros were allowed to keep their production but had to provide intelligence on the Shining Path. The Shining Paths political support in rural areas diminished. The group also made a strategic decision to enter urban areas where they were exposed and ultimately defeated.



## Afghanistan

The brief answer to why Taliban is stronger today is because NATO went home. NATO has no longer 150 000 troops there but around 15 000. The Afghan security forces continue to be very weak as well.

**Question:** Is there solid evidence of Captagon trafficking solely in ISIS controlled territories or is it in wider areas as well?

It seems as if this takes place in more areas than just the areas controlled by ISIS. This is hardly surprising considering the same is true for Afghanistan. Not just the Taliban are involved in opium economy but also state officials.

**Question:** Should we really abandon the war on drugs? Aren't legal markets increasing demand for illegal products and activities as well?

**Answer:** Drug control does not simple centre on two focus points: war on drugs or legalization. There are a variety of policies in between. What does one try to solve with legalization? In Mexico it is suggested that legalization will make the cartels go away. This is not true. The cartels have so many sources of income. In countries with weak rule of law belligerent groups will simply move to other sources of income. Taliban would tax legal poppies as well. As for the case of gambling in Italy, the mafias and other criminal groups there came to dominate the legal gambling just as it had controlled the illegal gambling. Legalization in that case did not weaken the criminal groups.

Several things would need to click in to make legalization crowd out illegal markets. The legal commodity would need to be cheaper than the illegal one. That is not impossible to imagine. If cocaine was legal it would cost as much as tea. It is simply an agricultural product.

However, with drugs you would have a problem since you would end up with so many addicted persons. The opioid crisis in the United States, which was driven by over prescription of legal opioids by the pharmaceutical companies, is an indication of this. Most states that contemplate legalization have taxes in mind to regulate the demand. The problem with that is the higher you put the tax to discourage use the greater the profitability of the illegal market becomes. This is the experience from cigarettes. Illegal cigarettes are often more detrimental to health than the legal ones.

Another requirement for legalization to crowd out illegal markets is the capacity of rule of law to act against the criminal groups that would not become nice criminals overnight but instead try to compete in the legal economy. Would it be desirable if Mexican cartels sought to dominate legal opium poppy production in Mexico? Probably not because they are so violent and brutal and extort local communities' and subvert political power. In the absence of significance coercive capacity of the state to act against the criminals to which they up till now have not been able to counteract, pacification seems unlikely.

To conclude, for most illegal commodities the options are not legalization or war on drugs. One can imagine very different design of policies that achieves a balance between three things: the threat drug consumption poses, the threat the drug trade poses and the threat of state policies producing adverse effects for local populations.

**Question: What are the linkages between legal, semi legal and illegal markets?**

It very much depends on the nature of the belligerent groups you have. If you have groups that control territories, they will seek to tax whatever they can, legal or illegal, in the territories they operate in. If you switch the legality of the commodities without changing the underlying power structure you have not achieved much. Where it could have effect is in terms of political capital of the groups. If, for example, you declare opium production legal in parts of Mexico the local population might not need the belligerent groups support, so their political capital might decrease.

**Question: What about countering the money laundering of international drug money?**

A: Just like eradication anti-money laundering efforts is also a siren song which is sung by both those who would like to see drugs legalized and those who would like to maintain prohibition. Everyone can agree we should get money out of the system.

But anti money laundering efforts are not very effective. There has not been one successful case of where the drug trade was eliminated because of anti-money laundering efforts. Why? Significant illegal proceeds move through trade based laundering and legal investments. Criminal groups need to pay for much of their activities in cash. Some criminals have moved into crypto currencies and launder money through online gambling. But at the end of the day most criminals want to be payed in cash, not in crypto currencies. Law enforcement still confiscates large sums of cash. This is a source of friction between the US and Mexico that not more cash is stopped from being smuggled from the US to Mexico.

Except for US anti-money laundering efforts directed at Al Qaida after 9/11 anti-money laundering has not yet proved to be a silver bullet ending criminal drug markets. Directing anti-money laundering efforts to strike at a single group is different from taking money out of a whole criminal market.